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POLITICS UNDER THE NEW DEMOCRACY

The Problem of Socialist Transformation in China

By C. D. Chang

The kind of social, economic and political order which the Communists are building in China at this stage of historical development is called the "New Democracy", based on the program formulated by Mao Tse-tung in January 1940. According to Mao, Chinese society is essentially semicolonial and semi-feudal in character. To transform this colonial and feudal status into an independent and democratic order is the first task of any social and political movement. The Chinese people have been striving towards this end since the Opium War of 1840. The Taiping Rebellion of 1851, the Hundred Days of Reform of 1898, the Nationalist Revolution of 1911, the Student Movement of May 4, 1919, and the Northern Expedition of 1925 were, each in its own way, whether consciously or unconsciously, parts of this general movement. It remains for the Chinese Communist Party to finish the work which was begun more than a century ago.

Dr. Sun Yat-sen's revolution was primarily bourgeois-democratic. The New Democracy, however, is the Chinese phase of the world-wide proletariat-socialist revolution. But it is not outright Socialism, rather only a step towards it. It is a sort of halfway house between bourgeois democracy and Socialism—a transitional period which would last for an unspecified length of time.

The New Democracy is notable for its moderation. Its first concern is the liquidation of foreign imperialism and domestic feudalism. Mao reiterates the Stalinist position that the Chinese bourgeoisie is revolutionary in the sense that it has been anti-imperialistic. For that reason the help of the bourgeoisie should be enlisted in the revolution. The New Democracy cannot, therefore, be a Socialist Republic of the Soviet type. Nor can it be a capitalist democracy of the American style. It is a rule based on the alliance of the revolutionary classes for the realization of a two-fold task: the liquidation of imperialism and the liquidation of feudalism.

The New Democracy would have a government based on the principles of "democratic centralism." There would be a series of people's assemblies from the village up to a national congress, elected by universal suffrage. In economic life the government would own and operate large-scale enterprises and monopolies such as big banks, big industries, railways, and the like. In land reform the new government would confiscate large holdings and redistribute them to those who till them.

This, in a nutshell, is Mao Tse-tung's conception of New Democracy. He claims that it is descended from Sun Yat-sen's **Three Principles** which have been abandoned by the Kuomintang.

No one can fail to be impressed by the reasonableness and cogency of Mao's argument. It is easy to see that in a backward country such as China Socialism cannot be achieved in a hurry. There must be a period of transition. The Comintern had recognized this fact as far back as 1928. At its Sixth World Congress held in September of that year, it declared that "the uneven development of capitalism, which became accentuated in the period of imperialism, has given rise to a variety of types of capitalism, to different stages of ripeness of capitalism in different countries, and to a variety of specific conditions of the revolutionary process. These circumstances make it historically inevitable that the proletariat will come to power by a variety of ways and degrees of rapidity; and that a number of countries must pass through certain transitional stages leading to the dictatorship of the proletariat and must adopt varied forms of Socialist construction."

In colonial and semi-colonial countries like Argentina and Brazil, with "feudal medieval relationships prevailing in their economies and in their political superstructure," the principal task before them is, on the one hand, "to fight against feudalism and the pro-capitalist forms of exploitation and to develop systematically the present agrarian revolution; on the other, to fight against foreign imperialism and for national independence. As a rule, transition to the dictatorship of the proletariat in these countries will be possible only through a series of preparatory stages, as the outcome of a whole period of transformation of bourgeois-democratic revolution into Socialist revolution, while in the majority of cases, successful Socialist construction will be possible only if direct support is obtained from countries in which the proletariat dictatorship is established." (**The Programme of the Communist International**)

It is clear that Mao Tse-tung's New Democracy is rooted not so much in Sun Yat-sen's **Three Principles** as in the Comintern's program in respect to colonial and semi-colonial countries.

Mao made his platform statement of New Democracy exactly a decade ago. It will be remembered that that was in the third year of China's war against Japanese aggression, almost two years before Japan's attack on Pearl Harbour. The Communists were then comparatively weak. Their base was still in the sandlands of northern Shensi, blockaded on all sides by Chiang Kai-shek's troops. Their guerilla units had been driven into the hills of Shansi, Hopei and Shantung. The possibility of their capturing national power was yet remote. More than anything else they needed popular support. The New Democracy was Mao's bid for popular support. It sought to win over the middle class, the intellectuals and the peasants. As a piece of political propaganda it had been most effective.

II

In 1947 and 1948 the war in China was in full sway, and it soon became apparent that the Communists were getting the upper hand. With victory plainly in sight, Mao Tse-tung and his followers began to talk about a People's Political Consultative Conference, (as distinguished from the old Political Consultative Conference called in 1945 during the time of General Marshall's ill-fated mediation,) to be held as soon as circumstances permitted. By 1949, the Communist ascendency had been such that their success was assured. In June a preparatory committee met in Peking to discuss the agenda of the PPCC and to draw up a list of delegates.

The PPCC was formally opened on September 21 and attended by more than 600 delegates representing five main groups of people: political parties, geographical regions, army units, the professions, and other "democratic elements." The Kuomintang was represented by a number of "splinter groups", the most influential of which was Marshal Li Chi-chen's Kuomintang Revolutionary Committee. The Democratic League was next in importance. There were a number of other parties or groups. The purpose of the PPCC was to devise a working basis for collaboration between the Chinese Communist Party and other parties, and to set up a People's Republic of China.

The Communists were of course masters of the PPCC. The presence of other parties and groups had a symbolic value only. Having no mass-following and without military force behind them, these parties or groups were in no position to strike political bargains with the Communists. It is true that they had fought against

Chiang Kai-shek. But it is also true that their opposition had never been effective. To be invited by the Communists was already a sufficient recognition of their services in fighting against a common enemy.

Three important documents — the **Common Program** of the PPCC, the **Organic Law** of the PPCC, and the **Organic Law** of the Central People's Government of the People's Republic of China—were submitted to the delegates for ratification. These constitute a sort of provisional constitution of the new regime.

The new state created by the PPCC is a People's Democratic Dictatorship. It would seem that this is a contradiction in terms. To Mao Tse-tung, however, there is nothing incongruous about it. A state can be a democracy and a dictatorship at one and the same time. In his well-known statement of July 1, two months before the meeting of the PPCC, Mao explained that the new state is democratic because political power is vested in the hands of the people, and it is also a dictatorship because the reactionaries are excluded from exercising this power. The first aim of the dictatorship is to break the resistance of the defeated reactionaries.

The term "people" has a definite connotation. It includes, at the present stage of the revolution, only the workers, the peasants, the petty bourgeosie, and the so-called "national bourgeoisie." Intellectuals and "other democratic patriotic elements" are called "people" by courtesy as a recognition of their special contributions to the revolution. Properly speaking, they do not constitute a distinct social class.

The People's Democratic Dictatorship is therefore a dictatorship of the four great social classes. It differs from the dictatorship of the proletariat in that the peasants and the bourgeoisie are given a share in the rule. As such it is not a complete Socialist regime. The state, under the People's Democratic Dictatorship, is an instrument of the four classes used to break the resistance of the enemies of these classes. Over these enemies the state has a coercive power, based on force and unrestricted by law.

The four great social classes are not, however, equal in status. The leadership of the dictatorship is vested in the hands of the workers. The workers are the most revolutionary elements and the most politically conscious. Other social classes must be led by them. The peasants by virtue of the special conditions of their existence, have certain revolutionary possibilities. In an agricultural country like China, they constitute the vast majority of the population. Hence, the workers and the peasants are the foundation stone of the dictatorship. The petty bourgeoisie and the "natural bourgeoisie" are allowed to participate only on account of China's semi-colonial and semi-feudal economic status. The People's Democratic Dictatorship may thus be defined as the rule of the four great social classes under the leadership of the workers and on the foundation of the workers and peasants.

The setting up of the dictatorship does not mean the end of social struggle. The battle of classes continues as long as Socialism is not achieved. For vital reasons of initial survival and progressive establishment, the dictatorship now rests upon an alliance with the peasants and the bourgeoisie directed against the formerly dominant landlords and "big compradore bourgeoisie." Stripped of verbiage, there is no essential difference between Mao Tse-tung's People's Democratic Dictatorship and the so-called People's Democracy in the satellite states in Eastern Europe.

The **Organic Law** of the Central People's Government of the People's Republic of China was passed by the PPCC on September 27. The supreme organ of the CPG of the People's Republic of China is, according to the **Organic Law**, the People's Assembly (Article 2). Prior to the existence of the People's Assembly, its functions are exercised by the PPCC (Article 3). Accordingly, the PPCC, on September 30, elected a State Council composed of a Chairman, six Deputy Chairmen, and 56 councillors. Mao Tse-tung was elected Chairman, Liu Shao-chi, Chu Teh, Soong Ching-ling (Madame Sun Yat-sen), Li Chi-sen, Chang Lan, and Kao Kang were elected Deputy Chairmen. Of the six Deputy Chairmen, three are Communists, two Kuomintang members, and one member of the Democratic League. About half of the councillors are Communists.

The State Council is in theory the highest authority of the new regime. It makes, amends, and promulgates laws and supervises over their execution. It declares war and makes peace as well as enters into treaty relations with foreign states. It appoints all important members of the central, regional and provincial governments. By virtue of "democratic centralism," power is concentrated in the hands of the Chairman who not only presides over the Council's fortnightly meetings but also directs the work of the councillors (Article 6).

The task of administration is entrusted to a Political Council consisting of a Prime Minister, several Deputy Prime Ministers (4 at present), a Secretary-general, and a number of councillors (15 at present) who may or may not be ministers of departments (Article 13). The Political Council is responsible to the State Council. It exercises general supervision over the various ministries, committees, bureaus, etc. of the Central People's Government as well as the regional, provincial and local authorities (Article 15).

There is a multiplicity of ministries, bureaus, and committees (30 of them) under the direct control of the Political Council. The most striking feature is the existence of a Ministry of Public Safety, the Chinese counterpart of the Russian N.K.V.D. There are no less than four different ministries dealing with industries. There is also a ministry of nationalities. All this suggests Soviet influence.

The most important position on the Political Council and one of the most crucial in the whole political set-up is that of the Prime Minister. The present incumbent of this office is Comrade Chou En-lai, one of the half dozen top leaders of the Chinese Communist Party. Two of the Deputy Prime Ministers are Communists. Of the 30 administrative departments, over half are Communists. The key ministries usually have Communist ministers, though Post and Telegram, Communications, Agriculture, Culture, and Education are headed by non-Communists. This is partly due to the fact that competent men of a managerial, technical nature are scarce in the Communist Party. The desire to attract men of ability and experience to take part in the administration is another factor. In such a case the Vice Minister is inevitably a Communist.

III

The People's Republic of China is thus governed by a coalition. Mao Tse-tung calls this coalition the People's United Front, patterned after the People's Front, Fatherland Front, Independent Front etc. of Eastern Europe. The technique is the same as in Eastern Europe; remnants of the old parties are brought together in one government under the domination of the Communists.

In China the "democratic parties" with which the Communists are allied are hardly parties at all. The Democratic League, which was organized in 1941, is, for instance, not in fact a party, but a federation of a number of small groups in opposition to the Kuomintang. It played an important part in the negotiations of 1945 and 1946. General Marshal referred to it as a "splendid group of men, but who as yet lack the political power to exercise a controlling influence." It would be more accurate, however, to describe it as a bunch of unscrupulous politicians, disgruntled intellectuals, and not-too-high-minded opportunists whose political ambitions had been thwarted by Chiang Kai-shek. It had no effective leadership and no political platform. At the time of Marshall's mediation it tried to get into the business by advocating the abolition of Kuomintang one-party dictatorship and substituting in its place a coalition broadly representative of all shades of political opinion. It flirted with the Communists and was in turn courted by them. It is reported that not a few of its members are already Communists in fact if not in name. It now operates more or less in the nature of a Communist "outer ring."

The Kuomintang "splinter groups" have one thing in common: they all consider themselves to be true disciples of Sun Yat-sen. The largest and oldest of these is Marshal Li Chi-sen's Kuomintang Revolutionary Committee. When the People's United Front was formed, they were told by the Communists to integrate themselves into one political entity under the unified leadership of Marshal Li. This they did in 1949. The integrated party has nothing in common with Kuomintang. It still pays lip service to Sun Yat-sen

and talks about implementing the **Three Principles.** As a matter of fact, it is no more than an obedient tool of the Communists.

Minor groups such as the Association for Democratic Reconstruction, Chinese Society for the Advancement of Democracy, Chinese Peasant-Labour Party, Chinese People's Salvation Society, and others, have no influence to speak of. The Communists have been extremely tolerant to them. The Communist line seems to be to take in anyone regardless of his past record or political beliefs as long as he publicly avows whole-heartedly support for the new regime. This is an unmistakable sign of self-confidence.

Foreign observers are inclined to view the failure of the Marshall mission as the cause of Communist domination. Had General Marshall been more successful, they seem to think, conditions in China would have been very different from what they are now. Owen Lattimore, for instance, ventures the opinion that if the Kuomintang had listened to the American mediator, there would not be a Communist government in China. "Conditions in 1946," he argues, "would have meant a political coalition of non-Communists and the Communist Party, the balance of military power on the non-Communist side." In such a case the minor parties, though small and weak themselves, "would have been able to influence the direction followed by either the Kuomintang or the Communists." But Marshall failed and the opportunity was lost. "In coalition in 1949, the non-Communists can expect to wield no more than a moderating influence. They may be able to slow the pace at which the Communists move, but not to change the direction in which they are moving."

This sounds reasonable enough. But the fact is that the negotiations could not have succeeded under any circumstances. The mission was doomed to failure even before it had started. There is no reason to believe that the Chinese Communists are different from the Communists in other countries. We have yet to discover a case in which the Communists, in whatever country, have co-operated fairly with non-Communists or demonstrated an ability to abide by their commitments. Under certain conditions, it is true, they can and do make concessions, do compromise, and do even make a show of co-operation. When they do that it is never done in good faith. It is rather a part of their stratagem, manoeuvre, and tactics. It does not matter whether it is a government, a trade union, or any other organization, the Communists have only one objective in view if they are allowed a chance to participate—to penetrate it and to wrest power from the hands of the legitimate authorities. Lenin regarded Communist participation in reactionary trade unions and bourgeois parliaments as an important step to capture power. Refusal to compromise was regarded by him as "an infantile disorder." "To tie one's hand beforehand," he wrote in 1920, "openly tell the enemy, who is at present better armed than we are, where and when we shall fight him, is stupidity and not revolutionariness. To accept the battle at a time when it is obviously advantageous to the enemy and not to us, is a crime ; and those political leaders of the revolutionary class who are unable to tack, to manoeuvre, to compromise, in order to avoid an obviously disadvantageous battle, are good for nothing." The Chinese Communists know the value of compromise. But not in 1946; they were already too strong and too well-armed for that. For this reason, even if Chiang Kai-shek had not been as obstinate as he was, General Marshall could not have persuaded the Communists to take part in a coalition in which they were at an obvious disadvantage. Even if he had been successful, the resulting coalition government would not have lasted. Communist theory was against it. And the Communists are the people who take theory in great seriousness and act in accordance with it.

In 1949 a different China emerged. Kuomintang power collapsed on the mainland. For a decade the Communists had been preaching new democracy. For more than two decades they had been denouncing the Kuomintang for its totalitarianism. Obviously, the new government they are going to set up must have a democratic facade. The simplest way to do this was to enlist the support of the "democratic" parties in a coalition. It is this kind of specious coalition that is wanted, and not what General Marshall had proposed.

IV

In the address before the PPCC, Comrade Liu Chao-chi, the leading Communist theoretician, stated that his party would strive, in co-operation with other parties, for the realization of the principles set forth in the **Common Program.** But it must be borne in mind, he told the delegates, that the **Common Program** is only a "minimum program" as far as the Communists are concerned. "You must realize," he added, "that the Chinese Communist" Party has also a maximum program. There can be no doubt that China's future lies in Socialism and Communism. When China is more advanced in industrialization, we must choose between Socialism and imperialism. The latter course is out of the question because the Chinese people as well as democratic peoples of the world will not allow it. That, however, is a thing of the future. And when the time comes for transformation, all democratic parties, groups, racial minorities, and other democratic patriotic elements will be consulted about it."

It is evident that the present arrangement is a temporary one. The question it : How long will it last ?

Naturally, only the top leader of CCP themselves could answer that question. Perhaps not even they could answer it with any degree of certainty. At the time of the PPCC last September, some delegates raised the question : since the ultimate objective is Socialism, why not state it explicitly in the **Common Program?** The Communist reply was that the **Common Program** is operative only during a limited period of time. Socialism is something more permanent that comes afterwards ; it is therefore cut of place in the **Common Program.** The general impression at the time was that the transition would be long and no one should worry about it. The primitiveness of China's economy and the pressing need of reconstruction after the long nightmare of foreign and civil wars would operate against too hasty a transformation. Surely the people would need a relatively long period of peace and order and prosperity before anything so radical could be attempted.

On the other hand, one can never be sure what the Communists would or would not do as soon as their power is consolidated. There is also the international factor to be reckoned with. The prevailing line of world Communism seems to indicate that it is not for individual countries to discover their own paths to Socialism. The Kremlin has a controlling voice in the pace of transformation. This is at least true with the Eastern European satellites. Joszef Revai, the Hungarian Communist leader and theoretician, expounded the problem of Socialist construction in an article published in the party's magazine in 1949 (available in Chinese for the study of the party workers. An English version appeared in "Foreign Affairs," October, 1949). He frankly admitted that the Hungarian Communists were given the line to be followed at the two sessions of the Cominform in 1947 and 1948. "That first taught us," he declared, "that a People's Democracy couldn't halt at any but the final stage of its destruction of the capitalistic elements, and the second showed us that Socialist transformation couldn't be limited to towns, but had to be extended to the rural districts and that as regards the fundamental questions of the transformation into Socialism, the Soviet Union in our model and that the way of the People's Democracies differs only in certain external forms, and not in essence, from the way of the Soviet Union."

A People's Democracy, according to Comrade Revai, is not "a plebeian, militant, consistent and popular kind of bourgeois democracy." The issue involved is not "a choice between Socialism or bourgeois private property, but rather the following : Should we compromise with the forces of the old system, or should we liquidate them ?" The Communists, he revealed, never entertained the thought of compromise and alliance with the non-Communist parties in good faith. The alliance existing in Hungary in 1944 and 1947 was tactical. "It was correct not to show the cards," but "in fact it is the working class which alone is in power. In fact it is our party alone which runs the state machine." "The fact that power is exclusively possessed by the working class," he added with a touch of cynicism, "is not to be talked

everywhere." Not even the peasants can share this power. It is true that the state is built upon an alliance of the working class and the peasantry. But it must never be forgotten that "the peasantry, even its working part, is half-heartedly for private property and half-heartedly for the co-operatives. It should be supported, led, educated and assisted in order that it can accept the way to the co-operatives. This leadership, education and assistance must be given by the state, too, and that is why power cannot be divided with the peasantry." Furthermore, Socialist transformation means a state fight against capitalism, against the kulaks, against imperialism and against oppressing anti-class attitudes. The tendency to vacillate on the part of the peasantry is fatal to the fight.

The real motive behind the alliance with the peasantry and the bourgeois parties is use it to achieve certain objectives. "The development of our democracy," Comrade Revai said, "is nothing else than a struggle which began with the goals of destroying Fascism, of realizing our national independence, and of steadily executing civic democratic tasks, and which was transformed subsequently into a fight against the big fortunes, and against the whole bourgeoisie; in a fight against capitalism, aiming first at the expulsion of capitalistic elements and of the capitalistic classes, and then at their liquidation."

Comrade Revai's exposition is quoted at length because what he said of Hungary is, mutatis mutandis, applicable to China. Like in Hungary, the alliance between the CCP and other parties is purely tactical in nature. Like the Hungarian Party, the CCP alone is in power and runs the state machine exclusively. The Communists are indefatigable in their insistence that it is the people who are really in power. But no one is deceived by it. The people themselves are fully aware that their sudden apotheosis is simply another technique to dupe them. Certainly their lot is not a whit better, nay, much worse, than before. This deafening fanfare in the Communist press with reference to the people is no more than a propaganda stunt. The experience of several thousands years have taught them to distrust the professions of those who are in power.

The CCP, like the Hungarian Party, has a definite program involving the following steps: (1) to fight against imperialism, which used to mean Britain but now means the United States, (2) to fight against the big fortunes—the "compradore big bourgeoisie" or "bureaucratic capitalists" in the language of Mao Tse-tung—and the landlords, (3) to fight against the medium-sized industrialists, bankers, and busness men—the "national bourgeoisie" in Communist nomenclature, (4) to fight against the kulaks, and (5) to collectivize the land. All this is to be carried out in accordance with a carefully-paced plan. At this historical epoch, only the first three are the class enemies.

The term "national bourgeoisie" is used at present in a loose way and is being stretched to cover a multitude of individuals. Some of the people now classified in this category have been known as "bureaucratic capitalists." Only the "four big families"—the Chiangs, the Soongs, Kungs and Chens—are excluded. They are singled out for immediate liquidation. The idea is to leave as many people undisturbed as possible. Too strict a policy would cause panic among the industrialists and business men leading to a sudden collapse of the whole of Chinese industrial life. That is exactly what the Communists are trying to avoid. When Shanghai and other industrial centers were liberated not a few prominent members of the national bourgeoisie fled the country and sought refuge in Hongkong, Manila, Singapore, and America. Upon promise of fair treatment, some of them have since returned. A few have even tried to climb on the band-wagon as a measure of self-protection. All of them have been willing to co-operate and to make every sacrifice in exchange for being allowed to carry on. They comfort themselves with the assurance that for a long time their knowledge of business and experience would be indispensable to the new regime.

In fact, the Communists are not worried about the national bourgeoisie. Relatively small in number and weak in strength, it can do little to threaten the Communist power. When the time comes for its liquidation, it cannot put up much of a resistance. 'The people," says Mao Tse-tung, "have in their hands a powerful state apparatus; they are not afraid of the national bourgeoisie's rebellion." (On People's Democratic Dictatorship). The fact is that there will not be a rebellion.

Perhaps it would not be necessary for the state to liquidate the national bourgeoisie in accordance with a carefully-mapped-out program of action. It is possible that in time the national bourgeoisie would die a natural if ignominious death without the benefit of state action. Industrialists, bankers and business men are now faced with a situation in which it is difficult to carry on without being bankrupt. Factories are unable to go on because there is not enough raw material to feed the machines. At the same time, they are not allowed to close down because that would throw too many men out of work. The state is not prepared to take them up lest they should prove too much of a burden on the national treasury which is having enough trouble of its own. Thus, the national bourgeoisie is caught in an unenvious predicament: it is hard to go ahead, it is harder still to retreat. Only the incorrigibly optimistic or the tenaciously ignorant can see any future before them.

The peasants however, are a far more difficult nut to crack. Constituting almost eight per cent of a population of more than four hundred million, their cannot be liquidated so easily. The Communists are said to have come to power through the support of the peasants. This might have been true, but it is doubtful whether the peasants are at present whole-heartedly for the new regime. So far there is little for them to get excited about. The much publicized land reform is more in the nature of propaganda than actual accomplishment. It is simply not possible to have the poorest farmers, tenants, and farm laborers provided with land enough for a livelihood. Redistribution of land, so loudly acclaimed by the pro-Communist press, has justly been decried by experts as hardly likely to solve the fundamental problem of too many people on a limited amount of land. There is simply not enough to go around. This is, however, another problem which merits a more extended treatment than can be accorded here.

Land expropriation and redistribution have been carried out, to some extent, in the old liberated areas in North China. In the Yangtze valley and in South China the work is not yet begun. What has been done was done in a haphazard and most unsatisfactory manner. What is more, the poor peasants, tenants and farm laborers who have been given small parcels of land now find the ownership more of a liability than asset. They have to bear the burden of staggering taxes and exactions. In more ways than one, their lot is harder than ever before.

Yet, when it comes to collectivizing, the Communists would undoubtedly encounter strong opposition, even to the point of armed resistance. The sense of property among the farming population is tenacious and cannot be uprooted easily. Herein lies the explosive potential of the whole problem of Socialist transformation.

But the revolution, as Comrade Revai pointed out, cannot halt at any but the final stage, and Socialist transformation cannot be limited to towns and must be extended to the rural districts. Like the Hungarians, the Chinese Communists take the Soviet Union as their model. Land collectivization may not bring about any material improvement to the nation, but it is a matter of faith with the Communists. Marxist orthodoxy requires it and the Kremlin, which is convinced that no country is safe from outside capitalistic interference as long as there exists a section of people, an overwhelmingly large section at that, who cling steadfastly to the idea of private property, requires it too. If the peasants are recalcitrant, well, they must be educated, led, and, if necessary, forced to comply. A little bloodshed would certainly not deter a revolutionary totalitarian regime from carrying out a policy which is a basic article of faith. The Communists would go ahead inspite of all difficulties once they have set their mind to it.

But it does mean, however, that they would have to proceed with great circumspection. It means also that it cannot be undertaken without a relatively long period of preparation and planning. It means, too, that collectivization will have to proceed by stages and no uniform technique will be applicable to all parts of China. In

ECONOMIC NEWS FROM THE UNITED STATES

By E. Kann, (Los Angeles)

(Special to *Far Eastern Economic Review*)

We are not living in boom times, but nevertheless the level of a period of prosperity is solid. Steel mill operations have quickly increased to 98% of capacity. Copper once more is in incessant demand. During the first 3 months of this year 500,000 telephones were added to the Bell system; this addition brought Bell's postwar gains to 12,000,000 making a total of nearly 34,000,000 telephones in use.

Motor Cars in Short Supply

Another distinct symptom of prosperity is to be found in the fact that once more motor cars are in short-supply, as far as new vehicles are concerned; this in face of record-breaking first quarter sales of new machines. True, the 85 days old Chrysler strike has something to do with the short-supply, but seemingly competitors are attempting to avail themselves of the opportunity by increasing their own output. The scrapping of old models has by now become the order of the day, and whoever can manage it (not to say 'afford') is striving for a new model make. Los Angeles, being spread out in area to an enormous extent, is reputed to own the largest per capita number of motor cars on the street. Seemingly everybody considers the possession of a car (usually acquired on the instalment system) an absolute necessity, and not a luxury.

Recently, when passing the building where the army of unemployed call to fetch their weekly dole, I was astounded and somewhat amused to see them arrive in their own motor cars to fetch the weekly $20. This proves that the authorities do not view the possession of a motor vehicle a luxury.

Speaking of motor cars, it is interesting to learn that the current status of production culminates in the fact that out of every 100 vehicles newly produced 47 are Ford and/or Chevrolet passenger cars. Since January 1 this year "Ward's Automotive Reports" say that every 12 seconds a Ford or a Chevrolet passenger car has left the assembly lines. The same source estimates the output during the second April week at 115,377 cars and 25,907 trucks. Canadian output during the identical period aggregated 4,575 cars and 1,798 trucks.

Another significant symptom of prosperity and belief in the immediate future is to be seen in the unprecedently large building activity in USA. During the month of March builders started more home dwellings than in any other month in history. The government's Bureau of Labour Statistics reports that about 110,000 new dwellings were started in March. This means 38% above the 80,000 units initiated in February and 59% over the 69,400 units begun in March, 1949.

The New York Stock Exchange, mirroring the feeling of the nation's pulse, has been booming during the past six months, notwithstanding the unsatisfactory political situation, as far as external relations are concerned.

The instances cited in the preceding enumeration are undeniable facts; yet they can be supported by further convincing evidence. Consider that within the single year of 1949 U.S. savings bonds increased more than 6 billion dollars. By the close of the year 1949 the selected types of long-term savings covered by the Home Loan Bank Board's reports reached a new high of $169 billion. However, during the war years the total was higher. Reductions in total savings were reported by the Postal Savings Banks for the second consecutive year. By the close of 1949 the cash value of life insurance policies amounted to about 50 billion dollars. A close second were U.S. savings bonds with $49 billion, while time deposits in commercial banks were a third with $35 billion.

Television

This heading should be no stranger to our readers. However, its vitality and remarkable expansion are good reasons (if an apology is needed at all) for reverting to this subject. It also forms an appropriate continuation to my first paragraph "Prosperity," for the rapid pace with which T-V sets are being obtained by the public are distinct signs of prosperous times, — even at the instalment system.

Television at this stage is living up to its reputation as the fastest growing industry in the annals of American history. The set-producing branch has been gathering fresh momentum with each successive month of 1950. Not so long ago, estimates for this year's output were about 3,600,000 new sets. However, already now they were marked up to 5 million sets, always provided that parts and cabinets can keep pace with ardent demand. Apart from this last-mentioned possible handicap there remains the still existing 'freeze' for new T-V stations, instituted by the authorities.

At present weekly production is running at close to 110,000 sets; expressed in values and terms of dollars, output per annum is well over one billion dollars. No other American industry has moved along so fast in so short a time. At the end of 1949 the wholesale value of television sets in the hands of consumers exceeded one billion dollars, whereas it took the motorcar industry, operating at much higher price brackets, more than 10 years to reach that figure.

According to an estimate of Barron's, by the end of 1951, manufacturers and broadcasters in television should have an investment of close to $3 billion. By comparison this is more than the investment in the entire motion picture industry, including everything from the studios in Hollywood to the 19,000 motion picture theatres throughout the U.S.A.

Approximately 28,000,000 out of the total of 43,000,000 households in this country are now within reach of television. By the end of 1950 the figure is expected to reach 32,000,000 and eventually — after the FCC's station freeze is lifted — to close to the full 43,000,000. Manufacturers figure that by the end of the current year three out of every ten homes within reach will have sets, a ratio which would signify 30% saturation of the potential market within the borders of U.S.A.

The Television Shares Management Co. compiled the following table (units and value in thousands):—

Manufacturer	Units	Average factory price	Total value (factory price)
Admiral	800	$145	$116,000
Radio Corp. of America	700	155	108,500
Philco	625	145	90,625
Motorola	535	135	72,225
Zenith	330	165	54,450
Emerson	330	145	47,850
General Electric	300	150	45,000
DuMont	190	225	42,750
Teletone	175	125	21,875
Hallicrafters	170	140	23,800
Westinghouse	150	155	23,250
Avco (Crosley)	150	150	22,500
Meck	150	115	17,250
Raytheon (Belmont)	140	135	18,900
Sylvania	120	155	18,600
Magnavox	100	215	21,500
Capehart-Farnsworth	100	160	16,000
Olympic	100	145	14,500
Garod (Majestic)	100	145	14,500
Hytron (Air King)	100	135	13,500
Total	5,365	$149.78*	$803,575

*Average.

Speculation in T-V shares is nationwide, and price fluctuations are considerable in extent. Zenith recently reached $70 a share; Radio Corporation $22, Philco Radio $52, Admiral $38½, Emerson $32¾ and Motorola $51. But since then the advance was checked, partly through profit taking. However, it is likely that quotations will advance further, barring unforseeable political events.

Banking in U.S.A.

The Bank of America, with headquarters in California, proposes to sell to its shareholders 3,412,684 additional

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some parts collectivization will be an easy matter. Such a place is, for instance, Manchuria, where the population is sparse and land plentiful. In Manchuria, in fact, a beginning has already been made.

All this adds up to one thing: the Chinese Communists will stop at nothing in the transmutation of China's economy. The work would be relatively easy as far as the national bourgeoisie is concerned. Real test of the whole problem will come when the collectivization of land ownership is attempted. There will be obstacles to hurdle. To the Communists, however, it will have to be done sooner or later, probably sooner than is commonly believed. Only time can tell whether it will be a success or failure.

Changes in the economic front will be accompanied by changes in the political arrangement. It is possible that there would be a shifting in the top ranks of the Communist leadership. One thing can be said with absolute certainty: the days of the so-called People's United Front are numbered.

common shares, therby offering to them a sweet pie. Existing shareholders will be allowed to subscribe to this new issue (subject to consent by the next shareholders meeting on May 2) at $20 a common share which latter are being traded in the market at $28.50. On this basis shareholders will be receiving a bonus of altogether $29,000,000, being permitted to subscribe to one new for 6 old shares held, at a price of $20. Under the proposed scheme the directors will dispose of an additional 111,212 shares in the open market at the best price obtainable.

If carried through as proposed, the new subscriptions should round out the new number of common stock outstanding to 24,000,000 shares and would increase the capital funds of the bank to a figure in excess of $380,000,000, exclusive of the reserves of $45,000,000 for possible losses. President Giannini said that the total capital funds and reserves of the bank are at a new high and will exceed those of any other bank by approximately $50,000,000.

While on the subject of banking in America, let us note results of some of the large banking institutions.

The National City Bank of New York (and City Bank Farmers Trust Company) combined net operating earnings for the first quarter of 1950 are $5,029,000, or 81 cents a share, versus $5,013,000 or also 81 cents a share for the March quarter of 1949.

The First National Bank of New York indicates earnings for the first three months of 1950 of $17.72 per share, compared with $17 in the first quarter of 1949.

The Corn Exchange Trust Co., New York's surplus and undivided profits, on March 31, 1950, amounted to $31,-927,000, against $31,529,000 on December 31, 1949, or $30,443,000 on March 31, 1949.

The Manufacturers Trust Co., New York's earnings for the March quarter amount to $2,817,000 or $1.25 a common share, against $2,616,000 in the analogous three months of 1949.

The Bank of New York and Fifth Avenue Bank shows earnings for the first quarter of 1950 yielding $5.18 a share, versus $4.46 a share in the first quarter of 1949.

U.S. Trust Co. of New York's results ended in earnings of $9.79 a share, compared with $10.15 a share in the like three months of the past year.

New York Stock Market Lagging Behind 1946 Averages

In a recent survey I pointed out that many Stock Exchange quotations are at present considerably behind the 1946 highs. I also gave concrete instances of certain such shares by way of example. However, the subject is entitled to claim more detailed discussion.

The present high stock averages represent a 20 years top; this means, having reached 215 as Dow Jones average, we have surpassed the summit of 212.50 formerly reached on May 29, 1946. Since 1930 we have not witnessed such high industrial average figures.

While industrial averages are racing ahead, railroad averages are still lagging behind the parade, thus inhibiting the more aggressive industrials. Chartists believe that, according to the Dow Jones method of analysis, the rail average must decisively penetrate its March 4 rally top of 56.60 before a resumption of the primary bull movement is indicated.

The very high industrial averages do form a psychological milestone; the significance of the 20-year mark in industrial average may be doubted when properly considered in connection with the highly selective character of general trading.

Harold Walsh of the Los Angeles Times, in discussing this subject, points out that a recent check of 968 stocks listed on the New York Stock Exchange and Curb Exchange are still showing 724 priced below their 1946 highs. Only 244, or 25%, have reached their highs of that year. While it may turn into a real market boom one of these days, the trend so far has been one of unusual selectiveness and not a general upward push. Business conditions, as pointed out in the first paragraph of my to-day's report, are very favourable. To these positive factors must be added good corporation earnings and fine dividends. In this respect there were substantial improvements in the first quarter of 1950 (when compared with the same period of 1949) to the tune of 226 increases and only 45 casualties. All this is obvious. However, the market remains vulnerable to any unexpected unfavourable news, after having smashed upward for fully 10 months. During those 10 months the New York market has risen 53 points, or about 32%.

To cite a practical example: On April 14 Allied Chemical in one session rose to the extent of 8 points. Being one of the group of the 30 stocks from which the daily Dow Jones average is derived, this tape measure showed a considerable increase. Actually most of the entire list showed reductions in closing prices.

Carrots

A bulletin issued by the Department of Agriculture tells how to cook carrots, but doesn't say why.

Hainan's Fall and Hongkong's Future

The victorious march of the Chinese People's Liberation Army (PLA), across the narrow strait connecting the mainland with Hainan, in the face of aerial and naval superiority of the KMT defenders has now concluded the last but one chapter of the civil war; with the fall of Hoihow the speedy occupation of the whole island of Hainan is a foregone conclusion. Nobody can deny that the PLA has scored another and this time most impressive victory the repercussions of which will be felt in Taiwan with alarming effect. Once again the world has been entertained to a spectacle of KMT inefficiency, lack of morale and empty boasts which find no parallel in modern war annals. What opposition there had been growing in south China during recent months as a result of the uncompromising economic policies of the communists will now, by force of the military events in the battle for Hainan, crumble and new confidence in the ability and strength of the CP leadership—and its competent guidance by the USSR—will rise.

The PLA is now in a position to exert strong pressure on Indochina as not only are the northern borders of Tonkin (where the strength of the Vietminh is husbanded) fully controlled by the Chinese but now the Gulf of Tonkin is becoming a communist dominated stretch of water which may have highly stimulating effects on the Vietminh army. The supply of materials from China to the coastal areas of Tonkin and Annam (from Hongay to Hue) is greatly facilitated by the PLA occupation of Hainan. The strategic position of the communists in South East Asia has enormously improved.

In the light of the spectacular events of the last few days, which bear out the optimistic predictions of Peking and the prophecies of the Cominform, the recognition of the Central People's Govt. of China by the British Govt. proves now to have been a well-advised move. While it has so far not resulted in any tangible benefits for the trading interests of the UK or other Commonwealth countries which took the same step last January, no adverse effects have been noted. The new Chinese Govt. has come to stay and if anybody had any doubts about this fact the latest success of the PLA should entirely wipe them out.

On to Taiwan is now the war cry and if one is realistic the prospects for successful resistance of the KMT forces on that island cannot be judged but with extreme diffidence. In recent weeks the PLA airforce has been built up, under Soviet instructors and with Soviet aircraft and equipment, and thus an invasion of Taiwan — though a formidable task—has become a matter of possibility. Peking's propaganda in matters of military events has always proved to be accurate and one is therefore justified to repose trust in future announcements of the PLA high command; when the time for the invasion of Taiwan has come (probably during the summer) the Chinese civil war will see the final curtain.

The lesson for Hongkong is obvious; cooperation with its great neighbor is called for. The dire threats of some probably self-styled CP agents need not be taken seriously; the alleged policy of the Chinese govt., viz. to freeze out business men and to make their operations here unprofitable, to engineer a depression and thus achieve without the use of violence the voluntary withdrawal of 'imperialist' traders, appears to be nothing but a bogey though the possibility of further hotting-up of the current stage of the cold war with resultant deterioration of East-West relations cannot be dismissed. China is moving with more rigidity within the Soviet orbit and

as the political tensions, possibly leading to the outbreak of world war III, are relaxing or hardening the fate of Hongkong will be decided. As long as peace (of a sort) prevails in the world the position of Hongkong, as a British colony and a member of the Commonwealth, should not be affected by the political changes inside China and, taking a longer view, by further aggravation of internal conflicts in other Far Eastern countries.

Constitutional reform in Hongkong would appear to assume now a more urgent character and it might be questionable whether the proposed though long delayed reform measures will be found satisfactory in this swift moving world of ours. The future establishment of a new Dominion in the all nation embracing Commonwealth might offer a solution to the political problem of British colonies and protectorates in the Far East, such new member state of the Commonwealth to comprise the Federation of Malaya, the colonies of Singapore and Hongkong, and British North Borneo. The interests of the inhabitants of these territories would be well served if this idea could be brought to fruition. Objections will be raised by a small minority who would put forward sentimental rather than practical considerations to thwart such a scheme. But with patience, vision and courage the new Dominion could, and should, be erected. Peace in the Far East and in the world at large is the prerequisite for the building of this proposed political structure, a multi-national community devoted to the improvement of living conditions and the advance of civilisation.

Booming Hongkong-China Trade

Hongkong's trade for the first quarter of 1950 has greatly exceeded any postwar record and prospects for further increases, in view of the growing economic and political stabilisation in China, are very encouraging. Contrary to misinformed and biased opinion which tries to impress upon a gullible public that there is 'trade stagnation in China,' the facts and figures of the official trade returns of Hongkong for the period January—March 1950 prove that never before was the commerce between China and Hongkong so buoyant as this year.

The first quarter figures of 1950 compared with comparative figures of 1947—1949 follow:—

Hongkong's total trade of merchandise for the first quarter (in millions of HK$; one HK$ equal 1s. 3d. or 17½ USc).

Year	1950	1949	1948	1947
Imports	849.0	542.6	442.5	301.0
Exports	667.9	484.3	320.6	269.3
Total	1516.9	1026.9	763.1	570.3

The increases this year (first quarter) over the respective periods of the preceding 3 years are as follows, for imports & exports:—

Increases in percentages in 1950 over

	1949	1948	1947
Imports	56.4	91.8	182.1
Exports	37.9	108.3	148.0

(Imports means imports into Hongkong, exports means exports from Hongkong; bullion is not included. There have been very large quantities of gold and silver passing through Hongkong, a smaller amount having been officially recorded, the majority however was carried by illicit traders).

A not inconsiderable number of traders here allege that the volume of business conducted this year has been smaller than in previous periods; this allegation, in the light of the above statistics, is proved not to be based on facts. 1950 trade figures establish records and shipping and other transport figures corroborate the trade returns (which only give values not tonnages). What is meant by merchants when complaining is, of course, their reduced profit margin; indeed, many traders have been unfortunate in buying at higher prices than are now realisable, a development observed in other parts of the world as well. However, from the point of view of the community at large and especially considering the vital part China trade plays in Hongkong's economy, the current trade figures are very encouraging and should, once again, silence the meaningless talk of a large number of importers and dealers who identify their own plight (which in most cases mean less profit) with the imagined predicament of Hongkong in its international and its China trade. The present figures show that optimism remains a good policy and that one can have confidence in the future of big though probably less profitable trade with the 'greatest potential economic power'—China.

The share of China in Hongkong's trade has conspicuously grown and for the current quarter it amounts to 33.7% of total trade, 20% of imports and 51.1% of exports.

Following are first quarter 1950 trade figures compared with 1948 and 1949 (Jan.-March) and percentages of China trade of total Hongkong trade (in millions of HK$).

(Macao has been included in the figures as practically all Macao imports & exports are in transit into and from Kwangtung, the little Portuguese colony of some 220,000 inhabitants having a relatively small consuming power and is also producing very few industrial goods for direct exports).

China's trade with Hongkong in Jan.-Mar. 1948—1950:—

	Imports 1950 $	Exports 1950 $
China	148.1	269.8
Macao	21.5	71.8
Total	169.6	341.6
	% 20	% 51.1

	Imports 1949 $	Exports 1949 $	Imports 1948 $	Exports 1948 $
China	112.9	67.6	87.9	46.0
Macao	22.2	32.2	13.3	31.2
Total ...	135.1	97.8	101.1	77.2
	% 24.9	% 20.2	% 22.9	% 24.4

China's trade with Hongkong this year (first quarter) was heavily in excess, in terms of HK$, over the similar periods of 1948 and 1949 (when merchants generally admitted that business was not bad, and others even confided that China trade was more than satisfactory). The increases this year of Hongkong's imports from and exports to China, as compared to 1948 and 1949 figures are impressive:—

Imports this year exceeded imports in 1948 by 67.8%, in 1949 by 25.6%.

Exports this year exceeded exports in 1948 by 342½%, in 1949 by 249.3%.

Trade with North China was booming; imports for the first quarter valued $92.1 m., exports $110.4 m. Even blockaded Central China showed very large figures, viz. $21.2 m. imports, and $97.8 m. exports. The merchants and shippers who managed to negotiate and transport such enormous cargoes as are expressed in the above figures deserve highest recognition both in China and in Hongkong. In spite of difficulties and dangers the volume of trade not only was well maintained but sensationally increased over previous trading periods.

Economic Stabilisation in Kwangtung

During the last few weeks the authorities in Kwangtung have succeeded to stabilise the value of the currency, to reduce commodity prices to a remarkable extent and to bring about a change in the popular sentiments which previously were antagonistic to the new regime. This success of the communist govt is now having its beneficial repercussions on the economy of other parts of south China. Above all, the 'underground' opposition is getting discouraged and less complaints are now heard though the heavily taxed business community is still licking its wounds.

Money remains very tight and cost of living is nosediving; taxes as imposed, often very arbitrarily, by the govt and the compulsory subscriptions to the first instalment of the 1950 bonds are taking all spare cash out of the people's pockets. Record low prices are now charged for almost all foodstuffs and most 'essential' consumer goods. Most conspicuous is the decline in rice prices —presently costing an equivalent of HK$38 per market picul (120 cattles) while in Hongkong a picul of 100 catties costs at the moment around $80. The People's govt has released stocks of previously collected rice and flour and other grain as granaries are full up and new collections in the country as well as new arrivals from north China are adequate to cover future commitments. In addition, the sales of free market grain are meeting less demand as a result of constantly declining prices and a tendency by the public to lay in no more stocks; they are being persuaded to do so by the authorities who can claim, and with justification, that stocks are ample, prices on the decline and prospects of new arrivals encouraging; furthermore there

are old hoards to be consumed which were stocked up earlier by anxious people who visualised shortages. The current period, called 'between season' (stock getting shorter while the harvest time is still far off), usually shows higher prices but today the price is at the lowest.

After some resistance by farmers the collections of grain (as taxes and loans) are proceeding smoothly. Bonds subscription is however lagging. The Canton allotted quota was at first 10 million units but was upon protests by the business community reduced to 8 m., this allocation being the 1st instalment of the bonds (a second instalment to be floated as from April 1). The deadline for the 1st instalment was March 31 but by that time only about 4 m. units were paid up. The authorities in Canton, as well in other parts of the province, were firm in insisting on the compulsory subscription of the reduced total of 8 m. units but so far have met in the Cantonese unexpected resistance. Nevertheless, the drive continues and there can be no doubt that, although with some delay, the total allotment will be finally taken up by the persons and firms who were requested to do so. The authorities have not shirked from taking strong measures such as confiscations of properties, arrests of certain recalcitrant persons, interrogations etc. Defaulters in Canton number some 2000 and shops and companies subsequently taken over by govt are around 450. The mayor of Canton (Chu Kwong), assisted by a committee of official and merchant members (among the latter being prominent business leaders Chang Kwan-wah and Ho Sun-chin), is relentless in the bonds subscription drive and threatens defaulters with trial before a People's tribunal. Much of the recently rising flood of anti-govt propaganda, inside China and in Hongkong, was a consequence of this forceful bonds drive but the common people are not really influenced by such propaganda as they now see the beneficial results of the govt's economic policy; they agree that without severe measures the tide could not have been stemmed and they welcome the change for the better which, of course, has been achieved largely because of the govt's insistence on heavy tax payments and bonds subscriptions.

As money is excessively tight the govt decided, now that private banks' loans are almost impossible to obtain, to grant to farmers and business men a PB$ 70 billion loan, to be used mostly to rehabilitate farmlands and industrial enterprises. In the case of this loan being fully paid out commodity prices may soar and some of the present low price policy effects might be undone.

Overseas Chinese remittances have been coming into Kwangtung in unusually large volume and most of it has reached recipients through official banks. The black market is quoting at par or below the official rate and therefore remitters no longer utilise unofficial channels. Inward remittances are thus actively encouraged by the govt and remittees are satisfied with the official exchange rate. The authorised banks in Canton pay per HK$1 an amount of PB$6130 (while the black market pays now between 6000 to 6050); this rate is realistic and recipients obtain very much more value for PB$6130 in Canton than for HK$1 in the Colony. The black market in overseas Chinese family remittances is expected, under present conditions, to go out of existence. From an official point of view the earning of foreign exchange derived from overseas remittance is very important as exchange resources are low while import requirements are practically unlimited; every cent of foreign money earned by govt and judiciously spent on purchases abroad brings benefits to the whole community. At the same time, as foreign exchange no longer accrues to private interests, 'unessential' imports cannot be brought into the country to any appreciable extent. This development in the remittance field is another indication of the growing success of the communist authorities in the economic life of south China.

The Situation in Kwangtung

The communists are facing now a rather hostile crowd in Canton and in the whole province; after unfulfilled hopes of the late autumn of last year turned into acute disappointments and frustrations this spring and the military revival of the KMT on Hainan and Taiwan confronted the People's Liberation army with a formidable task never envisaged before, the city and country people are now muttering with increasing audacity. The Military Control Committee and the CP in Canton have taken too many unpopular steps and openly flouted public opinion. But the rule of the CP remains firm and no sign of a serious challenge of their power is discernible. There is talk among the malcontents—the numbers of whom are astoundingly growing — that before another 6 months or at most a year the communists will be compelled to leave the two Kwangs (Kwangtung and Kwangsi) and that eventually they will have to withdraw to the north bank of the Yangtsze; that Chiang Kai-shek with the aid of the US will stage a comeback and will be received with jubilation by the majority of the populace who have now tasted the bitter medicine of the communists. Resentment is, indeed, strong but it is ineffective and will not even lead to an embarrassment of the new authorities; their hold on the province is not endangered from within and as regards the rumoured comeback of the KMT—this is a matter of international strategy involving as it does the more active participation of the Russians and Americans in China's civil war. Short of the (improbable) invasion of Kwangtung by the KMT army the present form of opposition to the CP rule cannot be taken seriously.

The gravamen of the charge against the CP in Canton is the ruthlessness in enforcing tax levies and bond subscriptions. Hundreds of formerly prosperous firms have been ruined and were compelled to close down. Taxes are demanded by the govt without any consideration of the ability of taxed persons or companies to pay up; when they default their visible assets are carted away, their firms are being 'taken over' and those who suffer, besides the owners, are the fokis and their dependents. In rural areas the tax-in-kind procedure is more cruel and liable to cause lasting harm; the tillers of the soil are exploited—not by the wicked landlords—but by the govt and army collectors who take away practically everything they find, either under the title of central, provincial, district taxes, or 'voluntary bond subscriptions' or grain loans by farmers to the army. Farmers are understandably upset about this systematic plunder which was unknown in former days; the rapacious KMT grafters were never so unreasonable as to kill the goose that laid the golden eggs. But the masters are just about doing this; there is a real rice growing strike on and it spreads, farmers refusing to be exploited so brazenly although their patriotic spirit is appealed to and whatnot; and all the ingenuity of which the Chinese are so proud (having developed it in a constant fight against oppressive autocracy) is brought into play so as to foil the armed tax and 'loan' collectors' schemes.

To make things worse for the rural population there has been a serious drought this year which shows as yet no sign of abating; last year's floods were more calamitous than usual and as there has been little if any conservancy operation in the central southern part of the province the outlook for the harvest is becoming ever more depressing. If Peking will send relief supplies that may alter the situation but the farmers will not change their 'go slow' tactics as long as the govt persists in its merciless levies.

Under these conditions the wheels of the rumour factories, well oiled by KMT agents, are turning ever faster; that Russia is taking rather than giving has become by now an 'established fact' with the Cantonese who further seem to be horrified at the prospects of being decimated by a 'plan' forced upon the Chinese govt by the Soviets. Guerillas are on the increase in every part of Kwangtung but in most instances they are nothing but bandits who obey no orders from anywhere. The relentless expropriation drive by the new govt has swelled the ranks of the bandits—the weak become beggars the strong bandits. The regular army is now giving up the job of pacifying the bandit-infested mountainous land and do not attempt more than to keep major transport lines, on land and water, open and under surveillance.

The business community in Canton is particularly depressed; new business is all concentrated in official firms and what little is left for private enterprise is hardly remunerative. Many old established firms are therefore anxious to discontinue their business but no permission by the authorities is granted

and if eventually it is forthcoming then the amounts payable for tax imposts of all kinds and the 'allocation' to the victory bonds prove to be so heavy that liquidation would result in open bankruptcy—particularly when considering the demands made by the staff for dismissal allowances. Business men, therefore, consider themselves trapped and quite a few have absconded from an otherwise solvent enterprise; Hongkong has seen a number of these unfortunate refugees from taxation and compulsory loan subscription, and their often pathetic stories have spread in the Colony and caused a lot of re-thinking among previous pro-communists. It is understandable that the latest batch of refugees from Kwangtung peddles very uncomplimentary stories about the new regime but too much importance should not be attached to them, particularly not as regards possible implications.

The new authorities in Canton after taking over a ramshackle economy could only hope to bring about some measure of stability if they proceeded, in accordance with a CP-approved plan of reconstruction, without any show of compromise or weakness. Threatened with a collapse of the finances of the nation there was no other thing to do than to enforce rules which the KMT long ago promulgated but never really attempted to implement, viz. heavy imposition of taxes in money and kind and the floating of a compulsory loan. The people now are resenting this policy but the more enlightened citizens admit the theoretical necessity of such measures. Many individuals and companies are taxed out of existence and others find themselves bankrupt; these are the victims of financial stabilisation and their collapse is unavoidable. The opposition, now so vociferous in Canton, is unable to suggest a practical course of state budgeting which could obviate the present system of taxing and levying and compulsory loan subscriptions; there is, indeed, no alternative as long as the civil war continues and even when peace has returned to the nation there will be no rest as the process of rehabilitation cannot be delayed in so impoverished a country as China. With foreign assistance and big loans the impact of rehabilitation, and enormous sacrifices to be borne by the people, might be greatly lessened, however, the political course of 'red' China is fixed and therefore, as substantial assistance from the USSR cannot be expected, the period of sacrifices will be long and arduous.

The Situation in Fukien

During recent weeks the food supply position has generally improved and those who earn or still have funds can enjoy themselves at—in terms of foreign currency—extraordinarily cheap meals. As a result of low purchasing power and widespread unemployment cost of living has further come down and prices are still dropping. Currency stabilisation has been temporarily achieved and there is now less tendency to spend People's Bank notes. The abundance in food supply is conspicuous in the markets reflecting, inter alia, better crops in the interior and improved transport. Essential commodities have also followed the easy food market position and prices are gradually declining.

Following are retail prices of foodstuffs and of electric light for the period January through April 1950, calculated in US$ at the monthly average rate of exchange (official and black market being mostly at par):—

	Jan.	Feb.	Mar.	Apr.
rice (160 lbs.)	6.94	12.96	10.27	7.63
sugar (1 lb.)	.16	.15	.12	.09
salt (1 lb.)	.07	.13	.13	.08
pork (1 lb.)	.25	.30	.27	.25
beef (1 lb.)	.16	.23	.25	.20
light (unit)	.11	.27	.20	.18

One finds rice, flour, sugar, pork, beef, peanut and other vegetable oil (for cooking) in ample quantities and stallholders are anxious to sell deploring only the lack of money in the pockets of city people. Bananas are very rare as they come from Taiwan—in spite of a fierce civil war there is still trade between Taiwan and Fukien carried on and the fact that bananas are sold proves this clandestine traffic. Incidentally, the people engaged in this smuggling are also considered 'dangerous' both by the KMT and the CP as they might be utilised as spies.

As elsewhere noticed in communist China the relationship between gold and US$ prices has become most inconsistent and out of touch with developments in the world. Following is a tabulation of gold cross rates (per troy oz in US$) for the period November 1948 to April 1950:—

1948	Nov.	65	1949	July	55
	Dec.	50		Aug.	55
1949	Jan.	65		Sept.	34
	Feb.	52		Oct.	32
	Mar.	50		Nov.	36
	Apr.	55		Dec.	30
	May	60	1950	Jan.	35
	June	55		Feb.	38
				Mar.	31
				Apr.	32

Whereas both gold and US$ prices dropped during March and the earlier part of April the HK$ has appreciated in quotation as there has been a steady stream of imports from the Colony routed via Amoy and carried into all parts of the province. At present, due to the easier trade position with Hongkong (a reflection on the ability of traders and shippers to combat civil war obstacles) the HK$ is much in demand; but this improved position of HK$ is also considered a result of generally improved sterling rates in world free markets (of which traders in Foochow and Amoy learn in quick time as they still have their surreptitious radio communications with Hongkong being thus au fait with developments in the world at large). Current quotations on the black though not officially persecuted market are:—(in People's Bank yuan) 1 oz gold 1¼ million, US$ note 39,000, HK$ note and draft 6000, silver dollar coin 20,000. The official rates and the black market are usually not much at variance, at times official rates even exceed black market rates.

The military position has not improved though the KMT air raids have lately ceased. This seems to be the result of effective air defence measures introduced in the Shanghai area which were devised by expert Russian personnel. Russians have been seen coming and going in the ports of Fukien but their business has never been disclosed. The official propaganda continues dinning into the ears of the people the immeasurable value of the USSR's support and admonishes the people to follow the example set by Russia. As poverty is unrelieved and therefore dissatisfaction generally observed the success of the political propaganda is questionable.

The Situation in Macao

Macao's wealthy Chinese residents are showing their 'loyalty' to the People's Govt of China and also their 'patriotism' by subscribing to the 'victory bonds' and otherwise making all sorts of ex gratia payments. In this endeavour not to be denounced in Canton as national traitors and whatnot they have joined many of their compatriots in Hongkong—where 'victory bonds' subscription is well patronised and where millions of HK$ are thus filtered into the national treasury in Peking. But while many of Hongkong's merchants are moderately subscribing and not a few are adamant in refusing to pay even a cent (although they are repeatedly approached and arguments in favour of subscriptions are impressively convincing for the less firm in character) the Macao business community has been harangued by the Chamber of Commerce whose leading members, from the chairman to the very latest batch of nouveaux riches, are competing with each other for the honour of contributing the most.

This spectacle of the rich—many of whom have amassed fortunes in a manner which the general public did not find honorable at all — scrambling, after only one trumpet flourish from the new authorities in Canton to obey the call of 'patriotism', to pay up is a matter of ridicule in Macao and, probably, contempt in Canton. But it also reflects the fearful anticipations of these merchants, bankers and bullion operators; for them the question of Macao's security is a painful thing to answer and rather than being left to themselves in a not-too-distant future (when Macao's sovereignty may be challenged) they now try to make their sort of peace with the new masters in Canton. That they won't succeed is generally taken for granted; only their voluntary bleeding white will save them from 'interrogation' by a Chinese tribunal if the 'emergency' does arise.

It is a most incongruous thing to observe Macao's leading and wealthy citizens—even those of Portuguese nationality though of Chinese race — to make loyalty declarations and make supposedly placatory payments (bond subscriptions) to China's national treasury while officially the Macao govt continues to recognise the Taiwan regime as the national govt of China.

There are still the old Chinese govt and the KMT representatives in Macao, though they no longer fly the old flag (considering the delicate position in which the Macao govt finds itself as a result of the stubborn anti-communist policy of Lisbon) but officials of the new govt (provincial and district as well as members of the military control committees in the vicinity of Macao) are also around without however enjoying any recognised status.

Nevertheless communist propaganda and pro-Russian publicity (which of course is identical) is freely carried on and not interfered with by the authorities in Macao; bookshops, street vendors, libraries, study circles, student groups etc. are engaged in spreading the 'new gospel' and it is again the Chamber of Commerce, whose chairman is most solicitous to promote this new political movement in Macao, which is putting in some extra work so as to let the people learn, from official sources in China, what must be learned. The influence of clerical education is offsetting the effectiveness of the communist propaganda to some extent but the really potent anti-toxin has recently come from the widespread popular dissatisfaction of farmers in Chungshan who, when coming to Macao, complained about the unreasonable controls, policies and taxation of the new govt. Thus the previously strongly pro-communist younger generation in Macao was compelled to consider the real merits of the new political dispensation; but the latest development with gradual economic stabilisation in south China seems to indicate that the anti-communist propaganda — at one time rather general in all districts around Macao — is now abating and that there will be again a return to the enthusiasm of the younger people who hold that China's future lies in the hands of the CP.

The Macao govt is watching and unofficially trying to remain on the best possible terms with the Chinese across the frontier; after all, this tiny colony could not afford to antagonise in any way the Chinese govt and while it has no free will in deciding on matters of foreign policy it may keep up relations on its own and with the gracious concurrence of the Chinese officials in Canton and Shekki.

Communist propaganda is proceeding among the educated classes of Macao and new adherents are slowly won among the more independently thinking Chinese and Macanese. They cannot help being impressed by the sweeping assertions made by the 'friends from across the border': that after civil war has been brought to an end in China the march to the Asian ricebowl (Indochina, Siam, Burma) will commence, that the only force capable of halting this march, the US, is unlikely to take any action (though the US has got the weapons, she hasn't got the nerve), that in all 'capitalist' govts there are growing communist cells, etc. When the apostles of the new times are confronted with the tales of sorrow emanating from farmers and merchants inside China they admit that there is some unrest, some rebellious spirit, plenty of outlaws, severe taxation and compulsory money and grain loans — but that all does not amount to any real headaches of the new govt who proceed calmly along a prearranged (one is attempted to say 'preordained') course and will solve the problems which, no doubt, are worrying the people. There may be 'liquidations' and the implementation of ruthless policies—the like one has witnessed in Soviet Russia — but 'history demands the establishment of a world-wide communist society' and 'it is now about time that men take into their hands the conscious planning of sociological processes.' On the question of the supreme role of the USSR in China's national life the answer is diffidently given: for the time being and until the consolidation of the regime in China and probably the establishment of 'people's democracies' in East Asian countries the assistance of Russia is vital though China's true interests would demand to be always on the lookout as no foreign power, even the USSR, can be blindly trusted and the possibility of Moscow's world hegemony ambitions cannot be dismissed.

In matters of foreign trade—which concerns and actually vitally affects Macao and Hongkong—the new Chinese policy aims at progressively concentrating imports and exports in the hands of the govt, and while there always will be a large volume of exchange of commodities private traders in foreign countries will find a much smaller field and consequently the concentration of business firms engaged in trade with China must be expected. Already smaller firms in Hongkong are liquidating and there is generally little hope for continuation of business by the host of postwar mushrooming commercial and financial enterprises. Emphasis will be laid in Peking on expansion of trade with the USSR and with those countries which are within the Soviet orbit and who will adopt the 'gold rouble' standard and thus join a new trading bloc ('the rouble area').

Macao's future, commercially not politically speaking, depends on the building of an ocean harbour but the govt, despite dozens of proposals made many years ago and renewed periodically, does not attempt more than dredging of the little river port's approaches and thus seems to be content with the present position. Some progress has recently been made as ocean freighters of medium tonnage can now enter the river port and as godowns have been built, new piers are being constructed and dredging of the always rapidly silting up inner harbour is well maintained some amount of foreign trade can, and does, move through Macao without transhipment at Hongkong. Until recently all inward and outward cargo had to be transhipped in Hongkong with the exception of bullion which was (apart from smuggling between the two colonies) carried in and out of Macao by flying boats. There is no income tax and direct taxation is practically non-existent; indirect taxes are moderate; controls are almost unknown but commercial and financial facilities are badly lacking and therefore industrialists and merchants cannot be induced to come to Macao. Very few new enterprises, of non-Macao residents, have been opened in the postwar years and present political uncertainty precludes such eventuality. The influx of political refugees (some from Shanghai, many from Kwangtung) has slightly increased the population (before last year estimated at 200,000, now probably 10% more) but few of these people have started any large business, most being content to spend their capital with great caution. Only the 'small fry' did come to Macao; those with bigger funds went to the US, to Manila or to Hongkong.

There has been conspicuous prosperity in Macao but it derived largely from the bullion trade (which although directly benefitting only a few persons still produced big revenue for govt and gave employment to many, and further leading to new investments by the several principals in the gold trade) and from the fact that various Hongkong trade and exchange control opened up surreptitious avenues for increase of business with China and overseas. In previous years, due to the oppressive trade embargoes by the KMT regime which however could never be enforced, Macao served as a convenient base for illicit trade; and recently, when there was some dislocation of transport between Hongkong and Kwangtung (due to KMT air raids and naval blockaders) again Macao offered its services as communications between that colony and the Chinese districts in the vicinity were less endangered.

Macao should only be regarded as a quiet river port serving a relatively small area of southern and, possibly, southwestern Kwangtung but due to fortuitious developments in China and Hongkong which Macao (i.e. its traders and its administration) was quick to grasp and utilise to the fullest possible extent the Portuguese colony enjoyed a remarkable though frowned upon prosperity.

THE FAMINE IN CHINA

The appalling famine situation in Red China has caused deep concern all over the world. The area affected is estimated to be more than 131,560,000 mow whereas the population involved is no less than 60,000,000 in toto. The most serious cases are in Shansi, Shensi, Hopeh, Honan, Anhui, the northern tip of Kiangsu, the central part of Kiangsi and the border districts of Hunan Province. Millions will soon be dying if no immediate aid be given.

The cause of the famine is manifold. Kuomintang during its long reign had made no serious efforts to better the dilapidated rural economy. China had to import annually 400,000,000 piculs of rice and other cereals to feed its population. Eight years of war against the Japanese and three odd years of internecine strife inflicted heavy losses on the peasantry both in life and property. No breathing space was ever allowed to the poor farmers for more than ten years. The drought in the north-western provinces last year and the great floods in the Yangtze River valley this spring precipitated the crisis.

However, the situation might not have developed to the present deplorable extent, if the Chinese Communists did not attempt to implement highhandedly the rural policy. The core of the policy is Land Reform, an attempt to give the poor economic equality. And the terrible weapon amply employed for its enforcement is Liquidation. According to the Communist definition, a landlord is one who does not or only partially does the actual farming with his own hands on the land in his possession and who lives simply on the exploitation of others. A slight offense committed by one or one's ancestors years or decades ago, if pointed out by any one in village meetings, was immediately seized upon as evidence of exploitation. Exploitors were subject to severe punishment by popular tribunals.

It is undoubtedly true that Chinese landed gentry had long been a curse in every agricultural community. But not all of them were as bad as supposed to be. Were the good ones given a chance, they might serve as useful instruments of the new regime. They were the literates of the rural population and the traditional leaders of villagers. However, such a chance was denied them. Most of them were liquidated without mercy while the fortunate ones had fled from their farms. Many poor peasants who had been in the employment of the rich were pronounced as "the running dogs of the propertied class" and usually executed with their masters.

The land thus deserted by the guilty or confiscated from liquidation was equally divided among the poor. The Communist propagandists often cited such occurrences as a crowning success in the New Democracy. Quite unexpectedly most of the poor did not accept such allotments whole-heartedly. They feared that the landed class might come back to claim ownership and to make reprisals upon them, in view of such cases as happened in 1927 in Kiangsi, Hupeh, and Hunan provinces. The longer they are under the Communist rule, the more they believe that the return of the rich is inevitable. Consequently, they did not cultivate the land as if their own.

The indigent had numerous obligations to fulfil for the land thus received. In addition to forced labour, they had to support "Our Own Army" to continue the war of liberation by making grain loans to the Government, subscribing to Victory Bonds, paying heavy taxes in kind at the official rate, and volunteering themselves to help transport military supplies, so as to show their thankful heart for the emancipation conferred upon them. As a result, they turned over to the Government whatever they had in their possession. They were not allowed to store grains nor to keep foreign currency, as both would harm the national economy. To store foodstuffs for more than month's use is treated as hoarding, and hoarders are subject to prosecution. Finding it impossible to save anything against bad times and useless to exchange for the inflated paper money, they wasted as much as possible.

The Anti-Feudalism and the Woman Movement have furthermore demoralized the country folks. Chinese peasants are the most conservative. They stick to age-old traditions, bad or good. They worship their ancestors and a variety of gods. Children should be dutiful and obedient and women should abide by the Three Obediences and Four Virtues. When the Reds come to encourage widows to re-marry, lasses to join comfort groups, children to spy on their parents, nuns and monks to resume secular life, elopement of lovers, virgins to bear babies, etc., the farmers all over the country feel horrified and disgusted. Any one who dared to question the principle of the movement was regarded as "old obstinate" and severely punished. The people are disillusioned.

The Joining Army Movement is another headache which plagues the peasantry. In order to continue the task of liberation and to magnify the army strength for the preparation of another war, the Communists are maintaining a standing army as strong as 10,000,000 men who are otherwise the best workers on farms. Compulsory conscription is still in full swing. Their "Human Pool Tactics" during the past few years have also stripped the rural population of its able-bodied workers. Many have fled for fear of being drafted, as the old saying goes, "Soldiers are not made of good men and nails not of good iron." Those who are not fit for soldiery are left behind to do the farming. Naturally agricultural productivity is far less sufficient and effective.

Due to the evils brought on by the rural policy of the Communists, popular resentment is simmering everywhere. Inflation and endless warfare have accentuated the hatred while famine lit it up into a glaring conflagration. Peasant rebellions are serious in western Hupeh, the border areas of Hunan, in Shensi and Honan Provinces. In Kwangtung Province alone, more than 100,000 guerillas are fighting and plundering the countryside. It must be pointed out that guerilla activities in China are not prompted by the ideology of nationalism, nor systematically organized by the Nationalist underground workers. They rebel on their own account. They are fighting for a livelihood.

With such a chaotic economic background, the famine situation is daily deteriorating. It is true that the Communist authorities have promulgated measures to combat the famine and even invited the interdenominational Protestant National Christian Council to give a hand in the relief work. Yet at the same time, they have recently, despite the protest of the people, shipped loads of foodstuffs to Russia in exchange for arms and other military equipments. A student movement staged in March against such shipments in the Red capital resulted in about forty students being killed and wounded in a scuffle with the Liberation Army.

The Communists have repeatedly attributed the economic chaos on the mainland of China to the Nationalist blockade of the coast, and the evil influences of American imperialism. To pass the responsibility from one to another is no solution to the present plight. To seek aid from outside may be the correct and effective measure to save millions of lives. Unfortunately, the Communists stick to the "Swing to One Side" policy. They have flatly refused the aid offered by the United States Government by announcing that there is no food shortage in China and no aid from them is welcome. Actually millions are facing starvation. It is not that the Peking regime needs no aid. It is only that they refuse anything bearing the mark of U.S.A.

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The above article, written by Michael Tung, is based on information obtained by the author from sources inside China and corroborated by reports brought here by arrivals from the north. Mr. Tung is an economist who after the war commenced post-graduate studies at Yale University in the U.S.

Economic Developments in Taiwan

Foreign Trade:—The first shipment of the Provincial Government's order of 8,000 tons of rice from Thailand arrived in Keelung on March 23. (By March 14 a total of HK$8.5 million had been approved for this purchase.)

For the week ending April 4, imports into Taipei included 1,500 metric tons of flour, bean cake, salt fish, and cloth; and 550 bags of ammonium sulphate from Hongkong. In the same week 860 metric tons of sugar were exported to Japan.

February Trade: The Transportation Bureau reported that there were a total of 115 incoming ships in February 1950 which carried 32,900 metric tons of

merchandise cargo from overseas valued at the equivalent of US$12.7 million at the surrender exchange certificate rates. (This figure appears very large in view of the fact that total imports in 1949 were estimated at US$26 million.) In February 1950 there were 102 outgoing vessels with merchandise cargo totalling 17,300 tons and valued at the equivalent of US$1,033,112.

Japanese Trade: The Bank of Taiwan is now granting packing credits to banana exporters in order to stimulate Japanese barter trade. On March 23, the Provincial Government added betelnuts to the list of permitted exports to Japan. It was announced that a total of 84,000 metric tons of sugar were shipped to Japan in February.

Tea: The Tea Dealers Guild reported that exports of tea in March totalled 359,402 kilograms (about 396 short tons).

Banking and Finance:—On March 28 the Industrial and Banking Subcommittee of the Provincial Production Committee approved the following foreign exchange allocations: £910,435 to the Provincial Government for the purchase of 21,400 metric tons of rice from Thailand and Burma, and US$ 132,519 to the National Resources Commission. Also, loans totalling NTY 4,150,000 (equivalent to US$549,668 at the surrender exchange certificate rate of NTY7.55 equals US$1) were granted to government enterprises.

On March 31, the Bank Loan Examining Committee passed Long Term loans aggregating NTY3,069,800 (equivalent to US$406,596) involving 100 firms (including a loan of NTY1 million to the Chianan Irrigation Canal Association) and short-term loans of NTY1,576,500 (equivalent to US$207,483) to 117 firms.

On April 1 the Bank of Taiwan began selling foreign exchange surrender certificates for gold at the rate of US$34 to 1 shih tael (1.1023 ounces). The bank had begun the issuance of exchange certificates on March 25.

Approximately US$680,000 of gold bullion that had been returned from Japan was turned over to the Bank of China at Taipei on March 31.

The provincial property custodian announced on March 22 that proceeds from the sale of Japanese houses thus far had totalled the equivalent of US$2 million.

Industry:—The Taiwan pulp plant of the National Resources Commission's Taiwan Paper Industry Corporation, which is claimed to be the largest paper mill in the Far East, is now in operation. Monthly pulp production is reported to be 500 tons from bagasse.

Commodities:—Rice: In addition to rationing rice at the price of NTY0.76 per catty (1.3 pounds) on presentation of household registration cards, the island's Food Bureau on April 2 began the sale of rice at NTY0.95 without cards but with a limit of 20 catties to a person at one time. The price of non-rationed rice was reported at NTY1.10 per catty.

Pork: During the period under review, the provincial government began the sale of United States frozen pork in Taipei and Keelung from the 400-ton initial shipment of this item to Taiwan. Buyer resistance, however, had forced the price from the originally set level of NTY4.20 per catty to NTY 3.50 by April 4.

Beef: The sale of beef continued to be banned. (In the past this ban had been imposed because of outbreaks of the rinderpest disease which attacks cattle.)

Economic Planning in Peking

During recent months many economic conferences have been held in Peking. Industries, communications, mining and commercial enterprises are to be centralised and their operations put under state planning. Current problems are however of a less ambitious scope. Following is a summary of recent conferences and proposals advanced as well as resolutions adopted.

Railways: No construction of new railways is contemplated at the moment. The main task for 1950 is to repair and reconstruct the present ones. The two "artery lines" across the country are the Peking-Hankow-Canton and the Lunghai railways. Construction of bridges, totalling 1,339, will cost the Ministry of Railways 40.5 per cent of its total expenditure for the current year. A commission was appointed to plan for the construction of new railways later.

Navigation and Highways: Reorganizing navigation in the Yangtze river and other inland waters, the government was starting shipping lines between North China ports. The Pukow wharves were being put under repair although the Nationalist blockade was making it not usable at the moment. The new harbor at Tangku would continue to be built up. The construction was started under the Nationalists with American financial support. A total of 10,121 kilometers of highways would be under repair. No new highways would be built except where they should be necessary for military reasons. Highway reconstruction was going to be a big job. Highways in the Liberated Areas, excluding, however, South China and Southwestern China, totalled 203,419 kilometers. After the cessation of military action in various places, 26,284 kilometers of them were repaired. Even so, only 59,918 kilometers, i.e., about one-fourth of the highways, are usable at present. War has destroyed and damaged about three-fourths of China's highways.

Post and Telecommunications: China had 53,995 kilometers of main post lines in 1936. The lines did not include those connecting villages along which mail was delivered by means of communication other than airplanes, trains, and trucks. The 1950 target was set at a return to the 1936 height of main post lineage. Preservation and reorganization of the 69,015 kilometers of village-to-village post lines that had been developed in all Liberated Areas were also listed as a main task. Telecommunications are probably the least damaged by the war of all fields of communications. At least 80 per cent of the telephone and telegraphic lines are open at present.

Water Conservation: The Water Conservation Conference of the Liberated Areas was called late in 1949 amidst reports of floods unprecedented in the last 40 years in China, and devoted itself to mapping out strategy against the panic. China's water power potential is estimated at 100,000,000 kilowatts; only 500,000 kilowatts have been exploited. Instead of being benefitted by the great rivers, Chinese peasants have been plagued by them year after year and have fought them desperately. The 1949 floods were especially tragic because they came earlier than usual. Assisted by stormy wind, continuous drizzle inundated more than 120,000,000 mow of land, mostly in North China but extending also to Manchuria, Central China, and parts of the coastal provinces and the Northwest. Heroic fights against the catastrophe organized locally saved 50,000,000 mow. Nevertheless, the nation suffered an estimated loss of 14 billion catties of foodstuffs. A total of 650,000,000 catties of foodstuffs gathered from areas unaffected by the floods went to homeless farmers under the government's relief program. Delegates to the Water Conservation Conference (held November 8-18, 1949) pointed out that the floods were considerably the result of years of wars and misgovernment. The conference resolved that two basic measures were to be carried out: (1) to irrigate dry areas with water in areas which had frequently fallen prey to the floods; and (2) overall reconstruction of dykes.

Coal Mining: Two Coal Conferences were called by the Ministry of Fuel Industry in November 1949. They resolved that Manchuria would be the center of the nation's coal mining in 1950. There, coal output was to be brought up to the level of 24,000,000 tons produced in 1944, the highest during the Japanese occupation of Manchuria. The industry on a national scale was called upon to attain the target of the yearly production of 51,000,000 tons in 1952, restoring to workable shape the present mines and opening up new ones. In 1950, the amount of coal needed by the railways, the steel industry, electric power plants, and the various other industries would be 33,540,000 tons. The production target was fixed at 36,660,000 tons. The coal mines all over the country were directed to bring coal output on the rising slope beginning with the current year, reaching the yearly toll of 65,120,000 tons in 1954.

Steel: Manchuria was designed as center of development of the steel industry at the Steel Conference called by the Ministry of Heavy Industry during December 16-25, 1949. A large number of the sessions were devoted to technical problems such as estimating the present capacities of the industry and possibilities of enlarging them.

Problems of Foreign Investments in Far Eastern Countries

Foreign investment for promotion of economic development in Far Eastern countries will have to be encouraged by the various governments unless they are satisfied with a very slow progress. In order to shed more light on the controversial question of foreign investments the United Nations' Economic Commission for Asia and the Far East has recently compiled two studies, one dealing with loan requirements of the International Bank and the other with laws and regulations existing in Far Eastern countries (i.e. Burma, Indonesia, Indochina, Malaya, Thailand, Philippines, Japan and Korea) and in India, Pakistan and Ceylon. (China has been excluded from the study probably as a result of difficulty of gathering relevant information and the lack of interest shown in China today for admitting foreign capital into the country). As far as the above mentioned countries are concerned the two studies arrive at observations and make recommendations which are summarised in the following.

Most countries of the Far East are anxious to encourage foreign investments and a considerable field is open to foreign enterprise. Association of local finance with foreign enterprise as required by some of the countries, is a healthy sign rather than a deterrant to foreign investment. Likewise, the provision of training facilities for natives to be furnished by foreign enterprises should not be a deterrant if opportunities exist for earning reasonable profits by foreign investors. There is no serious difficulty regarding immigration and employment of high grade technical and managerial staff. As only a few industries, generally public utilities, are owned and operated by the State and some governments propose to nationalize only a limited number of other industries, there is a wide scope for private enterprise in all these countries. The position is obscure with regard to the method of determination of compensation in the event of the nationalization of an industry and the supply of foreign exchange for the remittance of the proceeds of compensation to the country from which the capital was originally drawn. These are matters of vital importance to prospective foreign investors. Clear-cut statement of policy by governments is necessary with regard to the remittance of future dividends and profits as an assurance to prospective investors. With regard to government control of economic activities it is also necessary that government give assurance of non-discriminatory administration of the controls for native and foreign investors alike as such would be beneficial in attracting prospective investors. Control measures, generally a drag on free enterprise, should be kept under constant review so that they may be gradually relaxed or completely abolished when circumstances permit.

There is no discrimination against foreigners in the matter of taxation but the present high rates of taxation of the incomes of individuals and of companies act as a deterrant in investment, both local and foreign. A downward revision of the rates of direct taxation, particularly in the higher income range, is necessary. Obstacles to foreign investment through double taxation may be overcome if Far Eastern countries enter into international conventions on this subject. The governments should enter into treaties with capital exporting countries in respect of foreign investments. The capital exporting countries should provide incentives for the investment of private capital abroad by granting suitable tax concessions on the foreign incomes of their nationals and companies. The system of guarantees extended under the ECA programme may encourage foreign investments in the Far East.

There are six points which deserve consideration by governments:—(1) Elucidation of government policies about compensation in the event of the nationalization of an industry, and whether the proceeds of compensation are to be freely remitted abroad; (2) The priority to be given to the remittances of dividends, profits, interests, etc. in the event of a country facing balance of payments difficulties; (3) Administration of economic controls designed to inspire confidence and their relaxation or abolition as circumstances permit; (4) Review of taxation systems from the point of view of providing investment incentives: (5) International conventions for providing double taxation relief; (6) Treaties for encouraging foreign investments.

The industry in the past had been of a strong colonial character—it had to depend on foreign countries for higher technical processes. Measures were considered to gradually change this situation. Conference delegates deplored the shortage of engineers and technicians for the steel industry. The number of trained technicians was only 0.71 per cent of all the steel workers. Their distribution was reported as uneven. East China has the highest percentage—4.6 technicians out of 100 steel workers. Manchuria, which is to be the center of the industry, has only two technicians out of 1,000 workers employed by the industry. A resolution was passed to transfer steel technicians in the coastal provinces to Manchuria. Several measures were worked out to eliminate this shortage. The large steel plants would train their own technicians by opening up their own technological schools. Night schools were to raise the cultural level of the workers. Workers who show talent in their after-work studies will be sent on government support to the engineering schools of the universities.

Paper: The first conference called by the Ministry of Light Industry was that of the paper-producing firms. The majority of these firms remained in the hands of private owners, but it was resolved that government-operated paper factories should expand and eventually play the leading role in the industry. Factories all over the country were called upon to copy the example of Manchuria, where paper production had become highly planned. Newsprint was the main line along which the paper industry would develop.

Expansion of Japan's Trade with Far Eastern Countries

The United Nation's Economic Commission for Asia and the Far East is advocating the intensification of trade between Japan and the countries in the Far East as well as India, Pakistan and Ceylon and has now compiled a study on the problems and prospects of accelerated economic development in Far Eastern countries through increased trade with Japan. The study surveys past conditions and arrives at suggestions which deserve to be discussed by the various governments in this part of the world. The ECAFE study is of particular importance at the present stage of political upheavals in the Far East.

Trade between Far Eastern countries and Japan was still at an exceedingly low level in 1949 with an insignificant share of capital goods in Japan's exports; trade between these countries and Japan in 1949 was between 15 and 20 per cent of its 1934 volume. The striking feature is that while Japan has been gradually put on her feet to recovery through U.S. Aid, countries in the Far East are still low in production and lag behind in economic development.

The present trend and pattern of trade between Japan and the Far Eastern region is undesirable to the Far Eastern trading partners of Japan, as it results virtually in no increase in productive capacity and in progress towards economic development in the Far East. Likewise, the limited possibilities for Japan to trade manufactures against food and raw materials would provide no prospect of a self-supporting economy on the termination of U.S. Aid. It is equally undesirable to U.S.A. since Aid to Japan is still an important item of expenditure in the national budget.

Low production and increase of population in Asia and the Far East impedes development of trade with Japan. Domestic requirements are tremendous in the region; food and raw materials are rare and precious, and little can be spared for export to feed the Japanese people and industry at a time when every year hundreds of thousands in the region die in famines and floods.

Increased trade depends primarily upon Japan's ability to supply the Far Eastern countries with the very goods

which will enable them to develop industry, increase domestic production and consumption, improve their own standard of living and thus in due course export goods in larger quantities to Japan. Such developments would conform to the complementary nature of trade between Japan and the region and would be mutually beneficial to all concerned, including the United States.

There are four key questions underlying major premises for healthy development and increased trade between Japan and the ECAFE region: (1) Can Japanese industry substantially increase its production of capital goods for export to the region; (2) can the Far Eastern countries physically absorb large additional quantities of capital goods; (3) are the present economic policies of these countries consistent with their stated aim of efficiently carrying out plans for rapid economic development and (4) what financial ways and means would be necessary and available to effect the desired development in trade.

(1) Japanese production in 1949 of major capital goods such as tractors, bulldozers, trucks, mining, construction and civil engineering machinery, bridging, machine tools, ships, heavy electrical machinery and agricultural implements was well below 50 per cent of existing capacity. When operated at full capacity, exportable surpluses could in the near future amount to a yearly average of about US$285 million. Essential raw materials for producing 600,000 to 700,000 tons of steel required for manufacturing exportable capital goods to the value of $285 million are potentially available in the Far Eastern countries. However, it depends primarily on the availability of large quantities of metallurgical coking coal from China on a direct exchange basis without involving need for US dollars. Failing supplies from China, the future expansion of the Japanese industry will largely depend upon those new technical processess which are now in the course of being studied in Japan with the help of American engineers and which might result in the use of more inferior quality indigenous raw materials for the manufacture of Iron and Steel.

(2) The various plans for reconstruction and development in the Far East would involve an expenditure of the equivalent of US$13,600 million over a period of years varying from country to country, but typically five years of which an estimated $7,200 million worth of imported goods and services, chiefly capital goods and technical personnel, would be required. Together with agricultural machinery required Japan's maximum export possibilities are well below the absorptive capacity of the region. Far Eastern countries, therefore, should be able to absorb each year, over and above the present pace of economic development, the $250 million worth of capital goods that Japan has the capacity to make available.

Trade Condition in Far Eastern Countries

In many of the Far Eastern countries which played important roles in international commerce before the war, and where conditions have since continued highly abnormal, the political developments during 1949 may have a decided influence upon the facility for trading with them during the period ahead. One need only recall the prominence in the general news of the past year of these events in Asia: on the trade restrictive side, the spread of Communist control over continental China; the continued civil warfare in French Indochina; the internal disturbances in Burma; and the disputes between India and Pakistan on both political and economic issues—and on the favourable side, the settlement of the political difficulties in the former Netherlands Indies by setting up an independent Republic of the United States of Indonesia, as an equal partner in a Netherlands Indonesian Union; and the transfer from SCAP to the Japanese Government of the authority to regulate the foreign trade of that country.

China:—The expanding military control of the Chinese Communists during the year, which by the end of 1949 had come to embrace most of continental China, has already cut off important lines of commerce with the Western World, and has rendered the conditions of access to the supplies and markets of that vast area difficult and unpredictable.

The basic system of license and exchange control formerly in operation under the Nationalist Government was taken over and tightened up by the Communist authorities. The most distinctive commercial development in Communist China, however, has been the program for concentrating both the domestic and external trade in most commodities in the hands of huge state-controlled trading organizations.

All of Manchuria's foreign trade is now handled through such monopolistic organizations, and a considerable part of the external commerce with Northern and Central China is conducted under their control, with the area of foreign trade left to the private merchant becoming more and more limited. The tendency toward such channeling appears to be spreading southward, as the consolidation of political control proceeds.

Owing to the Nationalist blockade and the mining of the approaches to Shanghai and the ports south, access to those regions has become precarious. As a result, Hongkong which had traditionally been important as a trade entrepot for much of southeastern Asia, has assumed even greater prominence in recent months as a focal point for conducting trade with a large part of China.

Japan:—In April 1949, a single basic foreign-exchange rate of 360 yen to the dollar was established, to replace the widely ranging multiple exchange rates which had prevailed. This eased the way for the reorganization and simplication of the whole system for control of the country's foreign trade, and for transferring its regulation to the Japanese Government, under the general supervision of the Occupying Authorities.

Since December 1, Japanese exporters have been able to negotiate directly with foreign buyers on all terms of the contract, and export licenses have been required only for special types of transactions and certain designated commodities. All but a very small part of the export trade has been returned to private commercial channels and arrangements for business transactions have been greatly simplified. Floor prices were abolished in the fall, but safeguards were provided against dumping or unfair competition. Export subsidies were also withdrawn during the year.

Imports are programmed quarterly in accordance with the availability of foreign exchange currently earned by Japanese exports, and lists of commodities approved for importation are published from time to time. Beginning January 1950, such imports into Japan are being handled on a private basis. Those import commodities which are purchased under United States appropriations continue to be handled on the governmental level; they now account for something less than half of the total importations.

Philippine Republic:—With the tapering off of the sizable funds that had been flowing from the United States to the Philippine Republic, for war-damage claims, army pay, and related purposes, the new Government found that the large excess of imports during the last few years, beyond what was warranted by current earnings from exports, had seriously depleted the country's foreign-exchange reserve. This prompted a series of steps, during the latter months of 1949, for the declared purpose of curtailing drastically the importation of luxuries and articles considered nonessential, especially conmers' goods, so that the funds available could be used for the importation of capital goods for the rehabilitation of the country.

In November, the Central Bank imposed a selective curb on credits for the importation of nonessentials. In December, the list of commodities formerly subject to license control was considerably expanded, and the import quotas previously authorized were drastically reduced. Shortly thereafter, all foreign exchange transactions were subjected to license. By these measures, Philippine officials hope to reduce the country's imports by $200,000,000 annually, thus bringing the value of imports to about the level of the country's current exports.

Indonesia:—The amicable settlement toward the close of 1949 of the political difficulties between the Netherlands and the former Netherlands Indies, and the emergence of the Republic of the United States of Indonesia, are expected to bring about more stable conditions generally within these islands. That should facilitate recovery toward pre-war level in the quantities available for exportation of the various raw

FINANCIAL REPORTS

THE FUTURE OF THE PHILIPPINE PESO

(Special to the Far Eastern Economic Review)

Since December 31st 1949, the month when the Exchange restrictions went into effect in the Philippines, the gold reserves of the Central Bank have declined from approximately US$230 million to only $221 million at the end of March 1950. It appears that the forthcoming months will show some improvement in these reserves, however, they will not be as a result of increased exports but rather curtailed imports and check of capital flight.

While imposed exchange and import restrictions have stimulated some new industries, it is generally felt that investment of substantial capital in an enterprise solely protected by Import Control is a rather dangerous proposition. The present Import Control Law is due to expire on April 30 and the proposed version of a new law is considerably more severe. This proposed law is being presently debated by the Philippine Congress and it seems that substantial opposition has developed to prevent enactment of this law in its entirety.

General business conditions are far from being rosy, however, some businessmen feel that some sort of additional aid from the United States Government will be forthcoming. This belief is not widespread as it appears the U.S. Government is more inclined to curtail its foreign aid spending rather than spend additional money abroad.

Domestic gold prices have declined from the recent high of 110.00 pesos to P94.00 and at the unofficial rate of P2.50 for $1.00 the price of gold is equivalent of US$37.60 per ounce.

While demand for gold and U.S. Dollars has declined considerably since the December rush, yet there are renewed rumors and speculations regarding possible devaluation of the Philippine Peso. With gold reserves at $220 million (440 million pesos) and currency in circulation totaling $310 million (P620 million) one does wonder if this step might not be forthcoming.

Naturally, possibility of devaluation was denied by the Central Bank officials, however, presence of the following provision in "the Central Bank Act" tends to encourage such rumors:

"THE PHILIPPINE CENTRAL BANK ACT, *Issued by the Board of Governors of the Federal Reserve System, Washington.* CHAPTER II.—THE CENTRAL BANK AND THE MEANS OF PAYMENT:—ARTICLE II.—*The International Value of the Peso:* Sec. 48. Par value.—The gold value of the peso is seven and thirteen-twenty firsts (7-13/21) grains of gold, nine-tenths (0.900) fine, which is equivalent to the United States dollar parity of the peso as provided in section 6 of Commonwealth Act No. 699. Sec. 49. Changes in par Value.—The par value of the peso shall not be altered except when such action is made necessary by the following circumstances: (a) When the existing par value would make impossible the achievement and maintenance of a high level of production, employment and real income without: (1) The depletion of the international reserve of the Central Bank; or (2) The chronic use of restrictions on the convertibility of the peso into foreign currencies or on the transferability abroad of funds from the Philippines; (3) Undue Government intervention in, or restriction of, the international flow of goods and services; or (b) When uniform proportionate changes in par values are made by the countries which are members of the International Monetary Fund; or (c) When the operation of any executive or international agreement to which the Republic of the Philippines is a party requires an alteration in the gold value of the peso.

Any modification in the gold or dollar value of the peso must be in conformity with the provisions of all executive and international agreements subscribed to and ratified by the Republic of the Philippines, and such modification shall be made only by the President of the Republic upon the proposal of the Monetary Board and with the approval of Congress. The proposal of the Monetary Board shall require the concurrence of at least five of the members of the Board. Notwithstanding the provision of the preceding paragraph with respect to the approval of Congress, if there should be an emergency which, in the opinion of the President, is so grave and so urgent as to require immediate action, the President may modify the par value of the peso without the prior approval of Congress; Provided, however, That he shall report to the Congress on his action at the earliest opportunity."

Repeated denials by the Government Officials seem to only encourage the devaluation rumors and Sir Stafford Cripps is widely quoted and well remembered.

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materials for which this region had long been an important source. With the cessation of civil strife, the anticipated greater availability of imported consumers' goods for the native population is expected to serve as incentive to help step up output, and to bring down prices of Indonesian export products closer to world levels.

In March 1949, the former practice of allocating licenses among importers primarily on the basis of their prewar share of the trade in the specific product was discontinued, at least with regard to imports from soft-currency countries—with such trade now reported open to all bona fide importers. The "historic rights" system of allocation was reported as still figuring in connection with the limited volume of imports authorized from dollar areas, principally the United States, Canada, and Japan. Owing to its limited dollar income, even with the allocation from the Netherlands of certain ERP funds, the Government severely restricted buying in dollar markets during 1949, preferring to license imports from soft-currency areas when obtainable on equal terms.

The new authorities are continuing the general system of licenses and exchange control developed under the previous regime for the control of foreign trade.

CHINESE OFFICIAL BANKS IN HONGKONG

After Britain's recognition of the People's Govt in Peking local Chinese state owned banks (as well as many other previously tagged 'bureaucratic' enterprises such as the National Resources Commission) switched their loyalty from Taipeh to Peking and took orders from headoffices in China. Banks' assets were however largely non-existent as capital flight had set in as early as middle of 1949; liabilities in most cases exceeded actual assets and repatriation of escaped funds is improbable as they are either under Taipeh's control or overseas safely stored away. Future prospects of most Chinese govt. banks are obscure as a result of the policy adopted in Peking, viz. to liquidate all former bureaucratic enterprises as far as they are regarded as no longer serving national interests, to merge the business of state owned banks for the sake of efficiency and otherwise to reduce the staff on the payroll of the govt.

The two leading official banks here were and are the Bank of China and the Bank of Communications whose financial status at present, due to flight of deposits and limited current business transactions, cannot be considered favorable. The Bank of China's local manager (Mr. T. Y. Cheng), regarded as one of the most experienced and best-connected bankers in the Colony, has submitted himself and the local branch office to the orders of Peking and was subsequently nominated a member of the board of directors, a distinction due to a good part to his seniority in Chinese banking business. The Bank of China is the foreign exchange authority in China and acts in the Colony as the agent of the national treasury; it also handles a considerable volume of overseas Chinese remittances which for the first quarter of this year totaled about HK$ 7½ million. This bank and the Bank of Communications, the latter being considered of permanent importance in China's internal finance, will continue doing business in Hongkong while all other official banks will have to wind up. Their premises however may be utilised by the Chinese govt for other purposes provided that rent agreements with local real estate companies can be concluded. The Central Bank of China has liquidated its local office (devoted to research and also for maintaining contact with HK Govt) long before Britain's recognition and returned the premises (in the Hongkong & Shanghai Banking Corp.) to the landlord. This Bank no longer exists in China, its place having been taken by a new central bank, the People's Bank of China with headoffice in Peking. Its affiliated and wholly owned Central Trust of China is in the process of reorganisation, being integrated into one of the recently established state trading enterprises (under the Ministry of Trade) and, as far as Hongkong is concerned, being developed into a state buying and selling corporation as well as a national insurance company (functions which the Central Trust to a limited extent already fulfilled in the KMT era). That so far the name has not been changed is the result of doubts about the rent agreement with

the landlord who might contend that the agreement could not be extended to a successor of the Central Trust. The Postal Savings & Remittances Bank is also due for winding up and so will be the Farmers Bank of China. The former bank had some difficulty when the newly appointed authority tried to uncover allegedly concealed assets of the bank but no legal proceedings were commenced and the controversy was amicably dissolved.

The two provincial banks here, i.e. the Bank of Kwangtung and the Bank of Kwangsi, are in a different category; the first named bank is the property of the provincial govt. and may continue to serve the particular financial requiremens of the province, while the Bank of Kwangsi, largely owned by the former acting president Li Tsung-jen and his close friends, is incorporated in the Colony and will therefore continue operation as a private bank though the title would appear under actual conditions in China rather misleading. The assets of the bank, as far as there were any remaining in Kwangsi and in Kwangtung, have been taken over by the new govt. The Manufacturers Bank of China, not state owned before but identified with leading KMT officials has some time ago liquidated its local office after its China branches were taken over by the new govt.

The Chinese govt is conducting commercial and exchange business through the Nanyang Commercial Bank and the Po Sang native bank; both banks are handling Chinese exchange, overseas Chinese remittances, subscriptions to 'victory' bonds while the native bank, as a result of the peculiar construction of the local free market (authorised banks are restrained from engaging in foreign exchange transactions at other than the official rates), is a very active dealer in US$ at the free market rate as well as operator in the local bullion markets (often transacting gold and silver deals on behalf of the Chinese authorities).

HONGKONG FREE MARKET

GOLD:—Last week's highest & lowest rates per .945 fine tael $268½—254 equiv. to .99 fine rates of $281.28—266.09, and of .99 fine oz $233¾—221.13. Week's opening rate $255½, closing 267⅛. Crossrates US$37½ high, 35¾ low.

Macao and Canton .99 fine tael rates HK$282½—270 and $271—256 respectively.

Forward interest continues in favour of sellers and totaled for the week 30c.

Reduced imports were one important factor for the price improvement; Taiwan sent less as the govt there succeeded in rounding up one of the principal 'transport' company's agents (connected with the Man Lee Bank of Hongkong) and seizing large quantities of bullion which was readied for export. Many flight capitalists were thus deprived of part of their assets. Hainan which last week became another civil war 'theatre' and which now has passed under People's govt control no longer was a source of imports which firmed up prices especially in Macao (which colony regularly received supplies of bullion from Hainan by flying boats and coastal vessels plying between that island and the Portuguese colony). Macao exports were increasingly absorbed by overseas buyers. Illicit exports from Hongkong to Far Eastern ports were also on the increase. Supporting higher prices was also the not illogical rumor that Hongkong Govt would permit reexports of gold thus aiding the People's Govt of China who are anxious to convert bullion stocks into funds abroad for payment of imports. A precedent was created by the local Govt when the KMT regime obtained permission to use Hongkong as an entrepot for its silver coin and ingot imports and exports.

Total forward sales in the Exchange for last week: 372,000 taels (of .945 fine), a daily average of 62,000. Larger buyers were exporters, Canton operators, local operators; Shanghai and some Swatow operators oversold. Daily average position 188,000 taels with bullion exporters well overbought.

Cash bars: 62,000 taels (of which 52,060 negotiated inside the Exchange). Of the above quantity 50,000 taels changed hands among interest hedging forward operators, 1500 absorbed by local goldsmiths, the balance exported (viz. 10,500 taels, to India 4000, Bangkok 3000, Singapore 2000, Indochina 1000 and Batavia 500 taels, all of .99 fine). Exports from Macao were in excess of one ton.

Total imports were below 3000 taels (arriving from Taiwan and Canton to about equal parts). Stock position of dealers has, for a change, declined and prospects are that a further decline in the heavy stocks of native bankers and bullion dealers will be recorded. As current crossrates here are below other free bullion markets local and Macao reexports should continue for some time.

Highest & lowest rates for .945 gold and TT New York

April	gold high	gold low	US$ high	US$ low
17	260	254	621	617¼
18	261¾	258½	621½	620½
19	266½	258¾	625½	620¾
20	266	261½	624	622½
21	268⅛	260⅞	625½	622
22	268½	265	624	622½

US$:—Highest & lowest rates per US$100 in HK$:—notes 620½—613¾, DD 623½—615¾, TT 625½—617¼ (or US$15.987—16.20 per HK$100). Crossrates US$2.557—2.592.

Official banks selling and buying rates US$17-5/16 (HK$577.617) and US$17½ (HK$571.428) respectively.

Sales in the free market US$900,000 in TT and US$1,050,000 in drafts and notes.

Silver:—Prices of last week per .99 fine tael $4.76—4.78, per local dollar coin 2.99—3, per Chinese coin 3.02—3.04, per 20c coins 2.35—2.40. Sales: 175,000 taels.

Imports from Hainan via Macao on reduced scale; small lots from Canton (control of Chinese authorities more efficient and illicit imports from Kwangtung therefore expected to remain within moderate bounds). Chinese authorities rumored to bring here large lots for reexport to the US (in spite of the fact that 25% of proceeds when shipping to New York must be sold to local Exchange Control at official rate). Exports on small scale though larger lots are being prepared; biggest shipper to New York was last week Wing Loong Bank (over 300,000 ozs).

Bank notes:—Highest & lowest rates of last week in HK$:—Piastres 12½—11, guilders 6½—4.20, baht 27—26½ (per 100 units). British pound 15¾—15½, Australia 12.80—12.65, Canada 5.50½ — 5.46½, India 1.08 — 1.05¼, Burma .84½—.80, Ceylon .98—.97, Malaya 1.82¼—1.81½.

Philippine peso 2.52¾—2.52; against official US$/peso value local rate is about 20% lower, i.e. one peso costs here the equivalent of 40 USc; Manila's black market quotes peso considerably lower viz. around 25 to 28 USc (parity being 50 USc).

CHINESE EXCHANGE MARKETS

Control of the authorities in all cities in China was proving a success; stability of the legal tender has been achieved though there are still dangers apparent which may come into the open if and when the govt will grant loans to the farmers and business community at large. Confidence of the public in the ability of the financial authorities is growing and this most important psychological development has been reinforced by the optimism flaring up in China after the successful invasion of Hainan was reported. The end of the civil war is nearing, the deleterious effects of the KMT air and naval blockade are less felt and hopes are reviving that, after Taiwan's elimination as a threat to the ocean communications of China, rehabilitation will be speedier than was previously believed possible. The recuperative powers of the Chinese people are acknowledged as astounding and given the long desired period of rest and some outside assistance—as will be forthcoming from the USSR and its European satellite states, mainly Eastern Germany and Czechoslovakia—the economy of China and the prosperity of the people generally will be lifted up.

A sign of the growing stability in Canton is the disappearance of HK$ from commercial transactions; what threats could not achieve, the recent slump in commodity prices and the stable value of the PB$ have done. This development is welcomed in Hongkong; the anomaly of the Colony's bank notes being used in another country as means of payment was overdue for abolition and, luckily, the new legal tender of China is establishing itself, after many pitfalls in the recent past, and is now generally accepted and

savings in this currency (not only in so-called parity deposit units) are on the increase.

Market rates for one HK$ in Canton moved between PB$6500—6700 and the Colony's money changers quoted per PB$10,000 from HK$1.55 to 1.64. Local remittance business with China, in gold and foreign exchange, was on a small scale; the majority of transactions are now channeled through the official Chinese banks who quote realistic rates. Canton remittances aggregated for the week HK$420,000 (rates $99 to 99.60 for 100 in Canton). Shanghai gold and US$ remittances totaled about 300 taels and $10,000 respectively (rates 79½—80 for gold, 94½—95½ for US$). Amoy remittances: US$10,000 at 2% premium over Hongkong.

Taiwan remittances were reduced as a result of successful raids by the economic police in that island. Sales: 1200 taels of gold, US$15,000, at rates 73½—81½ for gold, 92½—95 for US$ (per 100 in Taiwan). The official gold crossrate in Taipeh was lowered from US$34 to 33½ per 1.1 fine oz.

H.K. Stock Exchange

For some weeks now the Market has been in a depressed mood. Nothing is inherently wrong with the Companies but there seems to be an overhanging cloud of pessimism and at the moment there does not appear to be any bright spots to ease the situation.

Dividends:—Union of Canton, will pay a dividend of 32/6 Free of Tax. Canton Insurance Office, Ltd., will pay a dividend of $15. Free of Tax.

Dairy Farms will pay a dividend of $2.50 free of tax. It is also proposed to increase the Capital of the Company in the following manner: (1) To all shareholders registered on 24th May a bonus share in the ratio of one for one will be issued and credited as fully paid and to rank for dividend as from 1st January; (2) at a later date, but only to those registered on 24th May, a new issue will be offered of one for one at $7.50 per share to be paid up on the 30th September and these to rank for dividend as from 1st July, 1950.

Business reported during the week $576,729. Business reported for 1st Quarter 1950 $22,596,951.

	High	Low	Sales
H.K. Govt. 4% Loan	96½	96½	$4,000
H.K. Govt. 3½% Loan (1948)	96½	96½	$16,000
H.K. Bank	1320	1300	132
Canton Insurance	—	—	3
Union Insurance	577½	570	134
Asia Navigation	.70	.65	30,500
Wharves	90	90	400
Wheelock Marden	26	25½	900
Raub	4.70	4.70	700
H.K. Lands	40	40	1,023
Humphreys	—	—	308
H.K. Tramways	12	12	100
Star Ferry	79	79	100
China Lights (O)	11	10.90	5,300
do (N)	8	8	933
H.K. Electrics	24¾	24¾	200
Dairy Farms	37	36	950
Watson	24½	23½	2,700
China Emporium	—	—	500
Kwong Sang Hong	—	—	25

COMMERCIAL MARKETS

Burma Export Availabilities

The United Nations Economic Commission for Asia and the Far East through its Trade Promotion Division of the Secretariat is collecting and disseminating data and information on trade possibilities both from within and without the region.

The following are some of the details supplied by the Government of the Union of Burma in regard to the commodities of this country at present available for export which, however, may be considerably increased with any improvement in the conditions in that country:—

(Annually) Beans 80,000 tons, beeswax 110 tons, bones 1000 t., cement 20,000 t., cigars 50,300 t., cotton 1800 t., cotton seeds 520 t., cutch 7760 t., fish maw 51 t., hides and skins: buffalo hides 52,000 pieces, ox hides 420,000 pieces, goatskins 75,000 pieces, sheepskins 50,000 pieces, horns 500 tons, lac 1100 t., matches 5000 case (50 gross each), oilcake 31,400 tons, oilseeds 4270 t., minerals (copper matte, nickel speiss, zinc concentrate, antimony, lead ore, lead slag, bismuth) 52,160 t., pig lead 1010 t., pulse 10,900 t., rice and rice products 128,000 t., rubber 12,800 t., shells 300 t., silk (raw) 10 t., silver 840,000 oz., teak and timber 227,500 t., tin 911.5 t., tobacco (raw) 30 t., vegetable oils 260 t., wolfram (tungsten) 1125 t., wool 180 t.

Three marketing boards function in Rangoon, the State Agricultural Marketing Board, the State Timber Board and the State Mineral Produce Marketing Board. There are also six chambers of commerce in Rangoon, the Union of Burma Chamber of Commerce and Industry, and the Burma, Burma Indian, Burma Chinese, Burma Marwari and Burma Muslin Chambers of Commerce.

Indonesian Exports of Copra

During March, it is estimated by the US Dept. of Agriculture, 16,541 long tons of copra were exported by Indonesia as compared with 10,089 t. exported during February. The monthly average for shipments of copra during 1949 was 25,284 t. Deliveries to oil factories of Indonesian copra during March totalled 9,275 t.

Raw Cotton Imports into China

The South China Foreign Trade Control Bureau acting under instructions from the Central Finance and Economic Council has announced that imports of raw cotton will be free of duty until the end of September 1950. This is intended to encourage importations of raw cotton, in view of the serious situation in which cotton mills in Shanghai and elsewhere find themselves owing to the shortage of this raw material.

Tientsin Exports to US

Consular declared exports from Tientsin to the United States in January 1950 were valued at US$2,817,307, an increase of $640,948 or 25% over total declared exports in December 1949. This was accounted for by increased shipments of sheep wool and raw furs which together made up 40% of total declared exports in January. United States dollar values of leading exports during the month with respective percentages of the total are given below:

Item	Value	Percent of Total Exports
Sheep wool	US$579,752	20.6
Raw furs	546,953	19.4
Woollen carpets	431,257	15.3
Bristles	142,502	5.1
Walnuts, shelled	106,210	3.8
Cashmere wool	77,031	2.7
Egg yolk, dried	70,751	2.5

The item raw furs above consisted principally of four kinds: Kolinski, $215,756; weasal, $133,557; goat, $92,865; and kid, $65,229. Other exports in January included strawbraids, $40,413 (1.4%); horsehair, $36,484 (1.3%); and sausage casings $26,542 (0.9%).

Tung-Oil Exports from China

Declared exports of tung oil from China to the United States were valued at US$587,267 in February 1950 and were shipped through Tientsin or Tsingtao, because, for the second consecutive month, no ocean-going vessel entered Shanghai. The tung-oil shipments were made mainly by the China Fats & Oils Corporation, operated by the People's Govt.—the successor to the China Vegetable Oil Company. As in January 1950, when declared tung-oil exports to the United States were valued at $893,335, the oil was transported to the ports of shipment at a 50 percent reduction in the regular freight rate.

World Tin Production & Consumption

The International Tin Study Group includes Belgium, Bolivia, British colonial and dependent territories, Canada, China, Czechoslovakia, France, India, Indonesia, Italy, Netherlands, Thailand, United Kingdom and United States. The Group recently examined the future position of the tin industry and the likely trends in its production and consumption under assumed conditions.

It estimated that world production, which had been 161,000 long tons in 1949, would be 172,000 tons in 1950, 191,000 tons in 1951 and 199,000 tons in 1952. In these estimates it was assumed that conditions conducive to full production and also political and social stability in the main producing countries would exist; it further assumed only production from plant and equipment already in operation, under rehabilitation and under commitment. Unrestricted consumption of tin for commercial purposes under full industrial production was estimated at 127,000 long tons in 1950, 136,000 tons in 1951 and 140,000 tons in 1952. World

consumption of tin in 1949 had been 118,000 tons. These estimates of production and consumption did not take account of the USSR, whose position is not known. Only nominal production and consumption figures were included for China.

The estimates showed that there might be an excess of production over consumption for commercial purposes of about 45,000 tons in 1950 and higher figures later. On the other hand, it appeared very likely that for some time substantial tonnages of tin would be absorbed by the USA for strategic stockpiling purposes over and above the demand for commercial purposes.

The Group also considered a draft international tin agreement drawn up by a working party in November, 1949, the objective of which was to attain a degree of equilibrium between supply and demand in general harmony with the principles of the Havana Charter. The Group amended and modified this draft agreement in many respects as regards its general provisions as well as its detailed provisions for the control of exports and a buffer stock.

Japan's Trade with India and Pakistan

The following targets have been set for Indian exports to Japan during the period July 1, 1949, to June 30, 1950:

Commodity	*Value of U.S. (thousands dollars)*
Raw cotton	8,000
Raw wool	300
Jute	1,618
Manganese ore	525
Tanning materials (mangrove extract and myrabolams)	230
Hides and skins	1,278
Oilseeds and oil-bearing materials	3,746
Salt	1,000
Coir fiber	120
Waste hemp	100
Mica	400
Shellac and sticklac	650
Animal by products (bone sinews, crushed bones, hide fleshings, cattle hoofs and horns, and tortoise shells)	633
Iron ore .... 100,000 tons	—
Tobacco ...... 2,000,000 pounds	—

Japan will make available to India, as during the period of the previous sterling-area trade arrangement a wide variety of manufactured goods, principally textiles and textile products and machinery. These products constituted about 85 percent of Japan's $53,900,000 in exports to India during the first 10 months of the previous arrangement. During this same 10-month period Japan purchased from India goods valued at $17,500,000, $12,400,000 worth of which was raw cotton and $2,100,000 raw jute.

A trade agreement has been consummated between Japan and Pakistan for the period July 1, 1949, to June 30, 1950. The agreement provides that all trade shall be conducted in accordance with the Over-all Sterling Payments Arrangement of May 31, 1948, as amended. The trade pact, in accordance with the general pattern of Japan's postwar arrangements, sets targets of the volume and character of trade but does not constitute a binding commitment that trade will assume either the proportion or character indicated. Each country, unless otherwise agreed, shall conduct trade through normal channels. and that the two countries will consult with each other on any matter connected with trade in order to facilitate trade at the highest practicable level.

On the basis of Japan's and Pakistan's requirements and probable availabilities, Japan is expected to export to Pakistan cotton yarn and cotton goods valued at more than $16,000,000; knitting machinery and mill stores valued at about $450,000; bicycles, $600,000; hardware and iron and steel manufactures, $750,000; chemicals, $300,000; woolen-textile machinery, $360,000; rolling stock, $900,000; approximately 60,000 spindles and 500 looms; and a wide variety of other manufactured goods such as paints and varnishes, electrical goods, optical equipment, clocks, brass and copper manufactures, glass sheets, and some miscellaneous commodities. In exchange, Pakistan is expected to ship 100,000 bales of raw cotton; 27,000 bales of raw jute; 500,000; pounds of raw wool; 1,500,000 pounds of hemp; 20,000 metric tons of rock salt; 20,000 metric tons of cottonseed; 100 metric tons of hides; and approximately $90,000 worth of animal byproducts (bones, fleshings, and sinews).

From a commodity standpoint the anticipated trade with these two countries constitutes, in general, a continuation of the prewar pattern. In terms of volume, the trade is not expected to reach that of the prewar period, although total value may be equal to or greater than the total trade during the preceding year (July 1, 1948-June 30, 1949). (India was a party to the Japan-Sterling Area arrangement during that period. Pakistan did not have a formally signed trade arrangement with Japan for that period, but had a general agreement on the pattern and volume of trade.) In 1930-34 total trade between Japan and India (including what now is Pakistan) averaged $125,494,000, consisting of Japanese imports valued at $65,260,000 and Japanese exports valued at $60,234,000, resulting in an unfavourable balance of trade of more than $5,000,000 for Japan. Japan's trade with India and Pakistan was resumed in 1947, and total trade for that year amounted to slightly more than $18,000,000; imports were valued at $9,743,000 and exports at $8,429,000, with a resulting imbalance of $1,134,000, a continuation of the prewar pattern. During the first 10 months (July 1948-April 1949) of the previous trade-arrangement period, however, Japanese exports to India and Pakistan aggregated $56,759,000, whereas imports from these countries totalled about $20,999,000, providing a favourable balance of merchandise trade of $35,760,000 for Japan.

Importance of Shipping in Indonesia

Probably few, if any, nations are as dependent upon merchant shipping as Indonesia. The political integration of the hundreds of islands which comprise the archipelago presupposes the existence of a domestic fleet to move passengers and freight and to serve, when required, as an arm of Government policy. Even in the theoretical absence of international trade, inter-island shipping, on a considerably reduced scale, would be vital to the economy. The peculiar importance of merchant shipping to Indonesia stems primarily, however, from the development, through the centuries, of an extractive economy based on export markets, accompanied by an increasing dependence on imports of consumer and capital goods. No statistics are available indicating the current proportion of national income represented by exports and imports; nevertheless, it is significant that about 70 percent of the goods carried by the interisland fleet (KPM) in 1948 were goods moving in foreign trade as contrasted to goods indigenously produced and consumed. Although the new Government may be expected to encourage the growth of domestic industries and to take other measures calculated to reduce the dependence of the economy on world markets, the effects of this policy probably will not be apparent for some time. Merchant shipping will therefore continue to play a particularly vital role in an economy geared to imports and exports and to their movement to and from all parts of the archipelago.

Import traffic during 1948 and 1949 (including foreign-aid shipments) about equaled prewar levels, but as much as a third of the traffic comprised shipments of crude oil, chiefly from Sarawak, to Indonesian refineries. Since imports of crude were insignificant in prewar tonnage, it is apparent that import shortages, in terms of prewar consumption, still exist for many commodities. Under normal conditions, imports might be expected to exceed permanently the prewar level. Imports into areas under Dutch control totalled 1,924,110 metric tons in 1948 and 1,050,442 tons during the first 6 months of 1949. Smuggled imports, plus the unrecorded and legitimate imports of the former Republican government, are as high as one-fifth of the recorded imports. The current effective demand for imports is limited by a shortage of foreign exchange. If reserves have now been fully utilized, future imports must be paid for with exchange resulting from current export transactions and from foreign loans and grants.

Export tonnages from Indonesia have suffered a significant and probably permanent reduction from prewar levels. They totalled more than 12,000,000 metric tons in 1939, over 11,000,000 tons in 1940, about 5,200,000 tons in 1948, and 3,500,000 tons during the first 6 months of 1949. Although the return of stable conditions to the archipelago should permit an increased production of some export commodities during the next several years, the gradual improvement of the world supply of many Indonesian raw materials, with a corresponding drop in world prices, and the increased use of substitutes for some products probably will discourage production at prewar levels. It is,

therefore, unlikely that foreign capital will be attracted to many of the prewar export industries now in need of rehabilitation. Tonnages of only three commodities—bauxite, tin, and copra—now approximate or exceed the prewar production for exports.

The following summary table indicates the share of the leading trading countries of North America, Western Europe, and Asia, and of Australia, in Indonesian trade during 1939 and 1948. Sarawak has been listed separately from other Asian countries to indicate the volume of crude-oil imports during 1948. Since a large percentage of Indonesian exports traditionally move to Singapore for transshipment and since the reexport of Indonesian tea and rubber from Western Europe, particulary the Netherlands, is also not uncommon, the percentages given below are suggestive rather than accurately descriptive of ultimate freight movements.

Summary Table: Percentage of Indonesian Export and Import Tonnages by Area, 1939 and 1948

	1939 Exports	1939 Imports	1948 Exports	1948 Imports
U.S. & Canada	5	10	10	16
W. Europe	17	27	12	19
Asia	40	41	50	14
Sarawak	—	—	—	45
Australia	7	9	2	1
Other	31[1]	13	26[1]	5

1 Primarily petroleum products shipped to the Riouw Archipelago, a customs-free territory of Indonesia, for storage and distribution.

Rubber Estates Outputs

Outputs from the Rubber Companies for which Secretaries &/or General Managers are A. R. Burkill & Sons, Ltd., Hongkong:—

	Output of March, 1950	Total this Financial year to date.	
Bute	56,000 lbs.	194,000 lbs.	(3 mths)
Consolidated	93,000 ,,	318,200 ,,	(3 mths)
Dominion	55,200 ,,	186,000 ,,	(3 mths)
Kota Bahroe	55,400 ,,	634,400 ,,	(9 mths)
Sungei Duri	57,000 ,,	618,600 ,,	(9 mths)
Shanghai Pahang	38,000 ,,	441,600 ,,	(9 mths)
Padang	17,069 ,,	300,429 ,,	(11 mths)
Shanghai Kedah	82,199 ,,	616,172 ,,	(6 mths)
Tanah Merah	91,560 ,,	1,338,300 ,,	(12 mths)

HONGKONG INDUSTRIAL CHEMICALS MARKET

There has been some improvement in the tone but the majority of chemicals are still neglected; many local dealers have temporarily closed (one trusts that hibernation will be short) while Macao dealers who have recently been doing some extra business with China complain about extreme dullness and quite a few have, after suffering considerable losses, boarded up their little firms. Local dealers are concerned with dropping returns and there are plenty of rumours in the market about difficulties encountered by this or that respectable firm. Shanghai prices have been on the upgrade but still make imports from here unprofitable; it seems that many local dealers will have, eventually, to bow to the inevitable and sell at a loss to North China buyers. Around July, one hopes, there will be some general increase in demand from China and prices may then also advance somewhat. A large number of chemicals quote currently much below indent price and every week this list expands. Bleaching powder 35% and soda ash have shown some better prices of late but still are lower than the original indent.

Last fortnight's market report:—

Caustic soda solid. USA origin 700 lb drums sold from $95 per drum down to $88, $85, $82, and now $77. ICI Crescent brand 300 kg drums sold from $95 down to $93 per drum, and now is available below $90. Export demand is limited, notwithstanding business recorded is rather big. **Rosin.** Some Taiwan buyers show interest, but price slid down. WW grade 516 or 517 lb drums sold from $56.50 per picul down to $52.50. **Phenol.** Local consumption only. Australian origin 448 lb drums sold 85c per lb, whereas the USA origin 460 lb drums sold 80c. **Bleaching powder 35%.** Taiwan buyers and local requirement. Quantity sold in the past two months is rather big, the stock gradually declined. ICI 50 kg drums sold upward from $21 per drum to $24 and some lots were sold exceptionally high at $26. **Formalin.** Required by local plastic manufacturers and by exporters. USA origin 495 lb wooden barrels sold at 30c per lb. **Soda ash.** Moderate export demands for Korea. ICI Crescent brand dense grade 90 kg gunny bags sold a considerable quantity, price from $26 to $28 per bag. USA origin dense grade 100 lb paper bags sold from $12.60 to $14 per bag according to quantity. As the stock has declined, price is anticipated steady if not upward. **Tuads.** This is also a rubber accelerator, used for the same purpose as DPG or MBT. As it is scarcely bought by the rubber factories, importers always keep low stock. Its price is far above indent price. There were a few drums sold at $6.50 per lb. **DPG.** English Monsanto 150 lb metal drums is about $1.80 per lb. No buyers. **MBT.** Korean export demand has been quiet for this item over one year, now demand showed up in the market. English Monsanto 224 lb metal drums sold from $1.35 down to $1.30, the lowest, and now upward back to $1.34. **Congo red.** National's No. 210 is the famous brand for this direct dyestuff. Its 100 catty drums packing was sold $550 per picul. It had dropped over 30% as compared with three months ago.

Sulphuric acid. Local make milky colour specific gravity 1.86 750 lb drums is asked for 26c per lb packing included. However, as the sulphur powder continued to drop, it is expected to follow to drop accordingly. A few months ago or a year back when sulphur powder sold around $20 per picul, it also sold at about 26c per lb; now sulphur powder sold as low as $6.80. **Sulphur powder.** 100 lb or 50 kg paper bags successively slid down. In the past two weeks although several hundred tons business was recorded, yet most is absorbed by speculators. Both packings sold from $8.30 per picul down to $6.80. The lowest once sold $6.50. **Lithopone.** Small Korea demands. German or Dutch origin 50 kg bags sold from 29c per lb down to 28c. **Ammonium bicarbonate.** Local and Macau factories require it. Small lots of ICI 100 kg metal drums were sold at $68 per drum. **Bright liquid gold.** Smugglers are interested. Small quantity was sold Hanovia brand 28 gram bottles sold $40 per bottle. In general, this material is up or down in accordance with the tendency of the gold market. Now gold price and USA dollar exchange dropped, yet the chemical is firm as stock is not heavy. **Sodium sulphide solid.** Market quiet with occasional interests. ICI Chinchin brand 5 cwt drums sold highest $420 per long ton and lowest $390. **Bleaching powder 70%.** Market at somewhat easy tone. USA origin 130 lb drums sold from $1.53 down to $1.50, and $1.47, and then backward up to $1.50 per lb. Good business was recorded.

Glacial acetic acid. Dutch origin 20 kg carboys sold from 60c per lb down to 58c, and Dutch or Italian origin 25 kg carboys from 58c down to 56c. Present small export demand cannot excite the weak market. **Boric acid.** Powder form sold 42c per lb. Last week there was a demand for the granular form which is not in common use; stock is rather scarce. Importers sold a few tons of this granular form at 52c per lb, and the dealers resold it 73c per lb. They have earned 21c per lb being a much bigger margin of profit than the importers'. **Stearic acid.** Market tedious. Only one small lot was sold last week. Australian origin single pressed 140 lb bags at 72c per lb. **Red amorphous phosphorus.** Last November when the stock was empty only a few cases were available, and some small lots sold as high as $600 per case. That profit tempted many importers to book heavy orders abroad. Now after goods' arrival there is a want of buyers, therefore the price dropped. French origin Au Lion brand sold from $220 per case down to $165, and Canadian origin golden tins sold around $154, and Japanese origin sold as low as $120 per case. All are of the same packing, 10 x 5 kg tins per case. **Calcium carbonate.** Light grade Japanese origin 50 kg bags firstly sold $320 per ton, and lately a large quantity of 25 bags sold $290 only. In the past two weeks the rubber manufacturing chemicals seem to be rather active. One of them is calcium carbonate, and the others are MBT and lithopone. All are required by Korea. **Citric acid.** Weather becomes hot, but the market for this acid is not active. Small lots of English origin 1 cwt plywood drums sold $1.40 per lb. **Saccharine.** Monsanto granular soluble 1 lb tall tins old packing firstly sold $9.10 per tin and then down to $8.50. **Sodium cyanide.** ICI 50 kg drums sold 93c per lb. The English origin 50 kg drums but of potassium and sodium double salt compound sold at 84c only. The quantity sold was rather big. Exported to Siam and Korea. **Nitric acid.** Local make 57 lb carboys sold 58c per lb. Export demands for Macau on the market.

Pyroaluminum powder. USA origin 200 lb drums asked for $1.60 per lb. The 250 lb drums is about 20c higher. Some inquiries for the latter packing, quantity required is not large. **Paraffin wax.** Market dull. AMP 160/165 nine slabs to one carton sold $65.50 per picul. **Ammonium chloride.** As ammonium sulphate fertilizer is much cheaper than it was before, ammonium chloride has lost its important position as a substitute for ammonium sulphate. No buyers for a few months. Last week a few tons of Belgian origin 100 kg bags sold at $400 per long ton only. **Formic acid.** It is a sister acid to glacial acetic acid. Used for coagulating rubber latex same but with larger function as glacial acetic acid. Sold to Singapore exporter at $1 per lb for the 75 lb carboys. **Potassium ferrocyanide.** Inquiries on the market. Buyers pay much below the sellers' price. Crystal form in fibre drums original packing buyers pay 80c per ib, whereas the selling price is $1.20. **Calcium chloride.** French origin 385 kg drums sold $360 per ton. Summer is coming, and more business will be done with ice fctories. **Paraffin oil.** Colour plus 20 viscosity 50/60 in 51 gallon drums sold $180 per drum for small lots only. **Sodium silicate.** Market weak. Price is below indent price. Crescent brand 340 kg drum is absorbed by speculators at $112 per drum. **Talc powder.** Export to Siam. Korean origin 50 kg bags sold $220 per metric ton. **Potassium bichromate.** German origin 750 lb drums crystal form sold small lots to local leather factories at 85c per lb.

HONGKONG COMMODITY MARKETS

Cotton Piece Goods & Cotton Yarn

Notwithstanding purchases by Philippine and Taiwan dealers, the **cotton piece goods** market was dull and prices declined further: Bellman grey sheeting was offered at $41 per 12 lb. piece, Double Flying Dragon had a few sales at $40, Fancy Butterfly fell to $43, Four Lotus to $36.50, Mammoth Bird to $44.50, Japanese 2023 to $40, Indian 4712 was offered at $40.80. In black cloth, Double Golden Tael was offered at $52 per piece, Golden Cup fell to $48 and Nan Cheong to $51. In white cloth, Fancy Crane sold at $36 per piece, Girl brand at $37.50 and Golden Cup at $49.40, while Bat & Tripod fell to $41 and Camellia to $44.20.

With the restrictions imposed by the People's Govt. upon the importation of **cotton yarn** into China, the local market continued dull and would have been almost stagnant but for buying interest displayed by dealers from Thailand and Hainan Is. the latter being particularly interested in Indian 10's and 20's: Bengal 10's sold for $615 per bale, and 20's for $810, The Raghuvanshi 20's fetched $830, Radhakrishna Mills 20's $815 and Savatram Ramkrishna Mill $765 per bale; Gateway brand rose to $870 per bale of 20's Girl with Vessel 20's fetched $810 per bale, Lake increased to $1180 and Double Birds to $910; other brands remained stationary or showed a decline: Cockatoo 20's fell to $885 per bale, and Coconut to $840, Flying Fish dropped to $1000 and Junk brand to $1100, Lady on Horse was offered at $840 and Looms at $815 per bale.

Metals

Taiwan dealers were actively in the market for **Mild Steel Plates**; 4 x 8' 1/16" sold at $37 per picul; ⅛" fetched $28 and 5/16" $34; ½", ⅝" and ¾" were quoted at $38 per picul. **Galvd. Mild Steel Sheets,** thick quality with large stocks on hand failed to show an improvement: Japanese thick 3 x 7' G24 sold at 47 cents per lb., G26 at 53 cents and G28 59 cents; Japanese thin quality sold at $7.10 per 3 x 7' piece and the Belgian make at $7.15, while Japanese 3 x 6' was offered at $6 per piece. Local unit cell manufacturers with large orders from abroad to fill were making purchases of **Zinc Sheets** the prices of which showed an improvement: Polish 3 x 8' G6 rose to $102 per picul, G5 advanced to $110, and G7 were offered at $110 but without sales. As dealers from Taiwan were in the market for **Wire Nails** made in China or sent to Hongkong before the Communist regime took over, these being admitted to Taiwan duty free, an improvement took place; later in the week, however, prices fell: 1" and 1¼" for export stood at $45 per picul, 1½" and 1¾" at $42, 2" at $38, 2½" and 3" at $37, and 4" to 6" at $40 per picul; ½" were quoted at $66 per picul, ⅝" at $68, ¾" at $63. Taiwan buyers having satisfied their requirements for **Galvd. Wire** and fresh arrivals having come from abroad, a drop in price took place: G6, G13 and G15 were quoted at $45 per picul, G8 and G16 at $46, G10 at $41, G12 and G14 at $44.50, G17 at $53, G18 at $58, G20 at $59, G22 at $62 and G24 at $75 per picul. The **Wire Rod** market was also dull, reduced demands from China and heavy stocks preventing any improvement: first quality 3/16", 7/32" and ¼" for re-export fell to $24 per picul; second quality 3/16" and 7/32" were quoted at the lower price of $20 per picul and ¼" 5/16" and ⅜" at $19 per picul.

Paper

The Paper market was extremely quiet during the week, with only some transactions by dealers from Thailand, Indonesia, Taiwan and Swatow. Indonesian and Taiwan dealers were interested in Russian Newsprint 50 lbs. 30¼ x 42¾" which sold at $17.50 per ream. Prices on the whole again showed a drop: Aluminium Foil, thin quality, was offered at $2.10 for British 4.5 x 6.75, while the Canadian make was quoted at $2.05 and the USA at $1.95 per lb.; the thick quality fell to $1.90 per lb. Bond Paper, watermarked, dropped to $16 per ream for 26 lbs., $17.50 for 30½ lbs., $18.20 for 32 lbs. white and $21.50 for 32 lbs. coloured; while the unwatermarked quality fell to $15.80 per lb. for 26 lbs. and $17 for 32 lbs. white. Duplex Board 240 lbs. was offered at 40 cents per lb., 210 lbs. at 42 cents and 200 lbs. at 41 cents. Cellophane Paper 36 x 39 British declined to $72 per ream, French and Belgian to $64, Italian and Polish to $65, USA to $66, and Czechoslovakian to $67 per ream, while British 40 x 50 fell to $88 per ream. MG Cap 17.5 lbs. white fell to $8 per ream and the coloured specification to $10.30. MG Pure Sulphite 30 x 40" sold at $12.50 per ream. Orange Match Paper 31 x 45½ 37 lbs. fetched $21.80 per ream. Woodfree Printing 43-48 lbs. white sold at 60 cents per lb. and 50-100 lbs. white, (Japanese), at 50 cents per lb.

Cement

Fresh arrivals of cement did not affect the market, which remained steady: Japanese 100 lb. bags were quoted at $105 per ton ex-ship and $115 ex-godown, the spot price falling to $5.40; Tientsin Horse brand stood at $6.40 per 1 cwt bag; Indochina Dragon brand stood at $5.90 per 1 cwt. bag but fell to $4.60 for the 94 lb. bag ex-ship; Bate brand (Danish) white cement rose to $13.80 per 1 cwt. bag; Polish 1 cwt. bag stood at $6.30, while the ex-godown price fell to $117 per ton; Emeralcrete rapid hardening cement in 112 lb. bags sold at $8.20 (official price $7.80), Green Island Emerald brand was offered at $7.30 per 112 lbs. bag ($6.80), Snowcrete (British) white cement sold at $60 per drum of 375 lbs. nett ($55), and Snowcem cement paint (British) stood at the usual price of $58 per steel drum of 112 lbs. nett ex-godown.

Glass

With buyers from Canton in the market and reduced arrivals of glass from Europe, prices showed a slight rise: 100' 16 oz. from North China improved to $25 per case; French 100 ft. 16-18 oz. and Czechoslovakian 100' 16-18 oz. rose to $26, Belgian 200' 18 oz. to $68 per case.

Insulight Glass Blocks fell to $3.50 each for British 8 sq. in. while the 6 sq. in. remained at $2.60; the USA 8 sq. in. declined to $4 ea.

Rubber

The activity shown in rubber transactions in Singapore has not been reflected in the local market, except that prices have gone up. Large purchases were made by North China dealers, but whether for the Communist Govt. or for private account is not known. Prices at the close were: Smoked Rubber Sheets 1st quality $152 per picul, 2nd qual. $144, 3rd qual. $133, 4th qual. $130. No transactions took place in Sole Crepe Rubber, Pale Crepe Ends, which stood at the previous prices of $275 per picul for 1st qual., $265 for 2nd qual. Sole Crepe; $170 for 1st qual., $155 for 2nd qual. Pale Crepe; $155 for Pale Crepe Ends.

Gunny Bags

In contrast to other commodities, transactions in Gunny Bags were active during the week, with heavy purchases by dealers from North China; prices improved as a consequence, Heavy Cees 29 x 43 x 2½ lbs. 2" green selling at $2.85 each.

Indian Jute Twine 3 ply x 90" rolls 820 lbs. per bale rose to $145 per picul, stocks being low.

Vegetable Oils, Ores & Other China Produce

Although restrictions have been placed on the export of **Tungoil (Woodoil)** from Canton by private firms, shipments continue to arrive from North China, as well as from Central and South China via Macao which should prevent any considerable increase in price, although a rise took place following purchases for export abroad: Tungoil (concentrate) was offered at $176 per picul with counteroffers at $173, four-weeks forward was quoted at $173 but buyers were only willing to pay $167 per picul. **Teaseed oil** was active with purchases for export abroad and following an improvement in price in Canton the price locally also rose, 4% acid selling for $157 for spot while four weeks forward was quoted at $160 per picul. **Rapeseed oil** had a few transactions at the improved price of $95 per picul. In order to get rid of stock, a certain amount of **Aniseed oil** was disposed of on a dull market at $575 per picul; the price, however, later improved to $620 per picul. In common with other vegetable oils, **Linseed oil** showed a rise in price to $110 per picul.

Renewed activity in purchases of **Groundnut oil** on the part of Taiwan dealers sent up the price further both the Tientsin and Tsingtao products increasing to $128 per picul. Swatow Cuptze brand in tins sold for $160 for 2nd quality and Flying Horse in tins stood at $200 per picul; Bombay groundnut oil in drums sold for $140 per picul; Thai Camel & Bell 1st qual. rose to $155 per picul and Deer brand A in tins to $151.

Ores: The price of **Tungsten (Wolfram) ore** continued to rise with difficulties over obtaining supplies, China 65% being offered at $280 per picul and 52% at $224; South Korean standard quality stood at $275 per picul. The same difficulty over supplies hampered dealings in **Tin Ingots**, exporters being unable to fill requirements from abroad; Tin, Regulus, 99% rose to $595 per picul. The local price of China **Antimony** 99% fell to $170 per picul, but no transactions took place, buyers' offers being too low. China **Pig Lead** was dull, 99% being quoted at a lower price of $95 per picul but without sales. Some Kwangsi **Copper ingots** melted down from Chinese copper coins which arrived from China and were placed on the market were offered at $90 per picul, but sellers would not part with their stocks at the low counteroffer of $87.

Other China Produce: Reduced supplies of **Cassia Lignea** reached Hongkong from the mainland last week; new regulations obliging merchants to surrender foreign exchange before the commodities leave Canton have had the effect of reducing shipments to a certain extent, and the dull market in Hongkong has also tended to discourage the sending of large quantities. Prices at the close were: Cassia Lignea 84 catty packing (West River) $53 per picul, 60 catty packing $52; Cassia unscraped (Tunghing) $75 and Wuion 1st quality $290; Cassia whole (Tunghing) $75 per picul. With Japanese dealers in the market for **Gallnuts** the price rose to $115 per picul but upon satisfaction of their requirements a decline took place to $108; the Korean product fell to $102 per picul with large shipments arriving. Japanese buyers were also interested in **Ramie**, the price of which had fallen as the result of heavy arrivals; sales of Szechuen Ramie were effected at $200 for 1st quality and $197 per picul for 2nd quality, while West River Ramie dropped to $210 per picul. Yuenkong **Flax** was offered at $205 per picul. East River **Rosin** with few transactions fell to $40 per picul. Hankow **Lime Cubes** with large supplies arriving fell to $30 per picul.

Dealers from Taiwan were actively in the market for **Groundnuts**, shelled, which sold for $74 per picul. They were also procuring North China **Small Red Beans** at $41 per picul. Tientsin 2nd qual. **Black Beans** fetched $34 per picul. Dairen 1st qual. **Beancake** (new) sold for $24 per picul.

Hongkong's Cotton Goods Imports and Exports in 1949

GREY SHEETING

The total trade of Hongkong in Grey Sheeting during 1949 came to 31.5 million yards valued at $35.27 million. Imports amounted to 16 m. yds. valued at $18.3 m., and exports to 15.38 m. yds. at $16.95 m.

Formerly Shanghai and Tientsin grey sheeting was shipped abroad from these ports direct, but since the Communist occupation and their lack of ocean shipping, the material has been despatched to Hongkong as a centre of distribution. The bulk of the imports of grey sheeting or 85% therefore came from North China, 13.87 m. yds. at $15.3 m., the United Kingdom coming second with 700,181 yds. at $1.4 m. Exports went to Pakistan 3.5 m. yds. $4.22 m., Thailand 2.85 m. yds. $2.89 m., South China 2.82 m. yds. $3 m., North Korea 1.78 m. yds. $2.14 m., and Macao 1.48 m. yds. $1.61 m. Imports exceeded exports by 795,483 yds. ($2.37 m.).

Cotton Piece Goods—Grey Unbleached

	Imports yards	$
N. China	13,873,780	15,380,048
United Kingdom	700,181	1,417,036
India	572,491	586,533
Japan	548,215	547,679
Malaya	373,260	293,933
Macao	42,400	49,640
France	25,000	31,250
U. S. A.	24,782	42,300
Czechoslovakia	12,743	40,483
Holland	2,400	9,897
Total	16,175,252	18,326,826

	Exports yards	$
Pakistan	3,511,400	4,223,247
Thailand	2,854,080	2,892,444
South China	2,821,120	3,043,690
North Korea	1,782,400	2,147,430
Macao	1,484,620	1,611,313
Malaya	1,021,760	924,653
Central China	582,380	576,575
Australia	378,572	484,701
Indonesia	371,157	449,259
South Korea	198,000	225,200
Sweden	130,000	143,560
Philippines	49,600	51,600
Iraq	44,000	49,400
South Africa	26,000	28,000
Oman	19,000	21,848
North Borneo	17,680	20,224
Central America	12,000	11,082
West Africa	10,000	9,725
Br. Emp. other	7,700	8,752
East Africa	4,000	4,630
Ceylon	3,200	3,680
Japan	300	510
Other countries	20,800	23,450
Total	15,379,769	16,954,973

	Monthly Imports yards	$	Monthly Exports yards	$
Jan.	2,284,000	2,551,169	3,005,810	3,533,658
Feb.	1,799,184	1,970,677	535,800	621,384
March	2,692,100	2,916,220	459,200	517,545
April	1,337,030	1,530,703	840,416	892,393
May	2,479,280	3,177,116	2,012,090	2,048,594
June	999,051	1,003,713	1,037,600	1,080,070
July	46,815	104,296	551,570	585,684
Aug.	466,643	640,309	120,200	148,760
Sept.	59,007	123,157	2,668,810	2,873,414
Oct.	2,396,503	2,944,859	700,603	787,051
Nov.	474,565	600,985	1,960,480	2,054,293
Dec.	871,074	863,622	1,487,190	1,812,127
Total	16,175,252	18,326,826	15,379,769	16,954,973

WHITE SHIRTING

Imports and exports of White Shirting into and from Hongkong last year showed a total of 10,932,263 yards to the value of $12,949,082. Imports were 3.46 million yards ($4.41 m.) and exporst 7.47 m. yds. ($8.54 m.); exports exceeded imports by 4.01 m. yds. ($4.12 m.).

Of the imports, 64.5% or 2.23 m. yds. ($2.66 m.) were from North China. Of the exports, over 36% went to Thailand or 2.7 m. yds. ($2.99 m.) and 32% to North Korea or 2.4 m. yds. ($2.69 m.), while 747,988 yds. ($955,176) were despatched to Pakistan.

Cotton Piece Goods—White Shirting 40 yds.

	Imports yards	$
North China	2,232,080	2,658,483
France	697,415	815,725
United Kingdom	133,665	250,356
Holland	116,445	201,160
Japan	94,634	101,208
South China	51,600	38,700
Czechoslovakia	42,519	118,598
U. S. A.	37,313	72,288
Italy	34,261	116,165
Malaya	19,200	27,600
Germany	2,778	9,000
Switzerland	493	2,515
Total	3,462,403	4,411,898

	Exports yards	$
Thailand	2,700,680	2,998,898
North Korea	2,401,200	2,693,760
Pakistan	747,988	955,176
Malaya	632,527	771,888
Oman	136,460	161,345
Macao	133,634	169,938
Br. Emp., other	133,134	131,958
Philippines	109,000	100,400
Central China	95,440	113,376
Iraq	65,100	65,100
South Korea	40,000	57,500
North Borneo	31,100	37,439
Australia	25,016	28,901
Holland	24,000	28,500
West Africa	19,840	19,241
Indonesia	16,000	18,000
El Hasa	2,400	3,300
South China	1,920	2,357
Japan	1,200	1,080
All other Countries	153,221	179,027
Total	7,469,860	8,537,184

	Monthly Imports yards	$	Monthly Exports yards	$
Jan.	396,445	522,513	881,106	1,100,626
Feb.	190,164	273,504	779,618	981,812
March	584,964	725,994	494,320	588,222
April	722,795	811,384	384,911	398,321
May	429,825	559,974	1,039,804	1,071,956
June	205,179	270,593	121,210	135,095
July	11,438	30,795	112,270	114,217
Aug.	48,190	61,224	198,980	203,999
Sept.	33,798	46,250	466,154	492,778
Oct.	4,311	10,486	55,420	76,526
Nov.	764,614	1,009,504	141,700	186,642
Dec.	70,680	89,677	2,794,367	3,186,990
Total	3,462,403	4,411,898	7,469,860	8,537,184

DRILLS, DUCKS, JEANS & MATTINGS (BLEACHED)

Imports and exports of drills, ducks, Jeans, etc., totalled 7.55 million yards to value of $11.57 million, imports being 6 m. yds. at $9.26 m. and exports 1.53 m. yds. at $2.32 m. North China supplied 1.93 m. yds. valued at $2.5 m., the United Kingdom came second with 1.56 m. yds. at $3.32 m., and Japan third with 1.19 m. yds. at $1.1 m. Exports went chiefly to Thailand 448,449 yds. at $624,407, Central China 320,465 yds. at $398,530, Macao 222,339 yds. at $309,386, Malaya 185,580 yds. $344,713, South China 106,441 yds. at $123,254 and North Korea 91,252 yds. at $222,541. The excess of imports over exports was 4.47 m. yds. ($6.94 m.).

Cotton Piece Goods—Drills, Ducks, Jeans & Mattings (Bleached)

	Imports yards	$
North China	1,936,400	2,504,866
United Kingdom	1,559,602	3,319,045
Japan	1,193,071	1,101,126
Malaya	595,510	667,433
U. S. A.	351,787	1,066,380
India	169,121	177,988
South China	87,366	174,732
Holland	80,200	146,006
Philippines	16,800	43,680
Germany	12,500	22,100
Macao	7,950	10,430
Italy	5,963	11,297
Canada	2,623	7,863
Belgium	2,200	7,750
Sweden	2,000	6,660
Total	6,022,993	9,267,356

	Exports yards	$
Thailand	448,499	624,407
Central China	320,465	398,530
Macao	222,339	309,386
Malaya	185,580	344,713
South China	106,441	123,254
North Korea	91,252	222,541
North Borneo	56,672	77,587
Indonesia	34,550	63,712
Australia	21,449	37,453
Indochina	20,303	68,000
South Korea	10,010	30,034
West Africa	6,000	8,000
Br. Emp., other	4,707	7,939
Philippines	1,680	2,100
Japan	200	932
Total	1,530,147	2,318,488

	Monthly Imports yards	$	Monthly Exports yards	$
Jan.	225,414	387,023	58,431	157,471
Feb.	230,437	405,944	9,675	11,527
March	546,494	825,785	269,658	320,726
April	359,601	519,061	110,119	162,398
May	716,259	1,192,459	142,413	241,175
June	258,394	546,065	48,283	93,185
July	249,396	507,544	152,585	241,679
Aug.	153,333	345,091	43,716	161,200
Sept.	493,762	488,120	161,081	222,740
Oct.	1,484,417	2,178,977	126,663	170,120
Nov.	515,317	824,423	207,366	267,108
Dec.	790,169	1,046,864	200,157	239,159
Total	6,022,993	9,267,356	1,530,147	2,318,488

BLEACHED COTTONS

Bleached Cotton imports and exports showed a total of 9.18 million yards valued at $13.62 million. Imports were 5.28 m. yds. ($8.61 m.) and exports 3.89 m. yds. ($5.01 m.), or an excess of imports of 1.39 m. yds. ($3.6 m.). Imports came mainly from the USA 1.49 m. yds. ($2.73 m.), North China 868,530 yds. ($1.2 m.) and the United Kingdom 833,271 yds. ($2.09 m.). Exports went mostly to Thailand 582,444 yds. ($832,684), Macao 528,062 yds. ($796,267), Pakistan 464,128 yds. ($558,011), and Malaya 455,009 yds. ($638,090).

Cotton Piece Goods—Bleached n.e.s

	Imports yards	$
U. S. A.	1,497,349	2,727,235
North China	868,530	1,214,320
United Kingdom	833,271	2,096,971
Japan	782,989	724,505
France	643,356	846,338
Malaya	214,708	284,630
India	134,547	114,059
Holland	94,955	173,067
Philippines	62,500	84,900
Italy	47,988	91,081
Macao	46,280	62,708
Switzerland	40,794	138,362
Czechoslovakia	20,399	51,266
Belgium	583	3,158
Total	5,288,249	8,612,600

	Exports yards	$
Thailand	582,444	832,684
Macao	528,062	796,267
Pakistan	464,128	558,011
Malaya	455,009	638,090
East Africa	237,420	287,188
Australia	225,330	235,694
South China	217,415	242,279
South Korea	206,891	249,353
Middle China	206,030	268,090
Iraq	194,150	188,175
Philippines	145,970	177,890
Br. Emj. Other	74,675	78,327
Oman	65,300	61,252
South Africa	55,800	62,175
North Borneo	42,047	50,776
Indochina	40,000	73,200
West Indies	28,980	30,055
El Hasa	26,850	27,239
Denmark	18,720	23,828
Port. E. Africa	15,700	20,538
Japan	7,899	25,391
North Korea	4,400	8,320
Ceylon	2,500	2,988
West Africa	2,152	3,385
U. S. A.	928	5,000
Indonesia	780	4,500
All other countries	46,806	64,529
Total	3,896,296	5,015,224

	Monthly Imports yards	$	Monthly Exports yards	$
Jan.	398,961	604,883	576,488	646,751
Feb.	592,654	827,719	833,571	974,651
March	621,303	966,564	551,161	783,431
April	709,284	1,125,689	233,495	303,057
May	940,025	1,421,384	189,082	251,460
June	185,458	396,432	155,252	223,574
July	261,865	502,225	99,710	133,903
Aug.	168,825	376,540	243,201	293,296
Sept.	296,648	649,730	618,403	791,132
Oct.	225,844	310,061	135,564	266,367
Nov.	729,492	1,159,200	87,016	115,167
Dec.	157,890	272,173	173,353	232,535
Total	5,288,349	8,612,600	3,896,296	5,615,224

POPLINS, WHITE & DYED AND COLOURED STRIPED

Hongkong's total trade in Poplins amounted during 1949 to 2,801,296 yards valued at $3,735,952; total imports came to 2,645,411 yds. to the value of $3,491,-843 and exports to 155,885 yds. valued at $244,109, the excess of imports over exports being 2,489,526 yards at $3,247,-734.

The bulk of the white & dyed Poplins or 69.5% came from North China with imports of 946,000 yds. ($1.35 m.). Japan following with 226,017 yds. ($239,124) and the USA and Great Britain supplying respectively 59,610 ($94,311) and 46,302 yds. ($131,441).

Imports of coloured striped Poplins were mainly from Japan with 909,808 yds. ($771,187) or 70.9%, while imports from North China amounted to 233,000 yds. ($391,300), from Great Britain to 90,454 yds. ($236,114) and the USA to 40,420 yds. ($69,185).

Cotton Piece Goods—Poplins, White & Dyed

	Imports yards	$
North China	946,000	1,348,050
Japan	226,017	239,124
U. S. A.	59,610	94,311
United Kingdom	46,302	131,441
Holland	32,054	74,161
Czechoslovakia	21,644	79,940
India	20,000	17,000
Germany	9,851	14,450
Total	1,361,478	1,998,477

	Exports yards	$
Macao	41,506	57,531
Thailand	25,022	28,337
Middle China	24,120	46,510
South Korea	12,300	23,890
Iraq	6,000	11,200
Total	108,948	167,468

	Monthly Imports yards	$	Monthly Exports yards	$
Jan.	nil	nil	23,322	50,227
Feb.	nil	nil	nil	nil
March	46,690	69,788	21,140	15,500
April	146,265	214,994	nil	nil
May	8,894	30,424	2,305	4,848
June	20,577	44,600	36,801	45,553
July	1,196	4,634	560	1,130
Aug.	110,458	118,195	nil	nil
Sept.	26,990	71,960	nil	nil
Oct.	953,800	1,373,343	700	3,700
Nov.	2,217	7,314	6,120	11,710
Dec.	44,391	63,225	18,000	34,800
Total	1,361,478	1,998,477	108,948	167,468

Cotton Piece Goods — Poplins, Coloured Striped

	Imports yards	$
Japan	909,808	771,187
North China	233,000	391,300
United Kingdom	90,454	236,114
U. S. A.	40,420	69,185
Czechoslovakia	10,251	25,280
Total	1,283,933	1,493,366

	Exports yards	$
Malaya	14,600	22,419
Middle China	10,800	13,000
Pakistan	10,000	20,800
Thailand	7,140	11,280
Indonesia	3,480	6,960
Macao	905	2,134
Italy	12	48
Total	46,937	76,641

	Monthly Imports yards	$	Monthly Exports yards	$
Jan.	3,212	11,760	4,140	6,580
Feb.	nil	nil	17,500	41,000
March	45,937	98,849	352	918
April	66,544	152,279	1,500	2,500
May	139,486	270,521	12,345	11,743
June	92,846	90,826	nil	nil
July	100,155	91,207	300	900
Aug.	50,205	47,980	nil	nil
Sept.	487,941	420,441	10,800	13,000
Oct.	255,808	260,910	nil	nil
Nov.	17,302	17,068	nil	nil
Dec.	24,597	31,525	nil	nil
Total	1,283,933	1,493,366	46,937	76,641

THE NEW FOREIGN TRADE PROCEDURE OF JAPAN

I. The foreign trade procedure in effect during the years 1946 to 1949

Up to the summer of 1947 the foreign trade of Japan was conducted by the Japanese Government itself (represented by the Board of Trade) under the control of the General Headquarters, SCAP; that is, both exports and imports were handled by the Board of Trade under the direction or with the approval of SCAP. However, after August 15, 1947 "restricted private trading" was permitted, whereby Japanese exporters were authorized to negotiate direct with foreign buyers who had been permitted entry into Japan. Nevertheless, the determination of the sales prices was left to the Japanese Government and the General Headquarters, SCAP, whose sanction or validation was necessary for all export contracts concluded. In reality, the Japanese exporters sold their goods to the Japanese Government and received payments in yen on the basis of the official domestic prices of such goods. On the other hand, practically all imports were handled by the government without any private intermediaries, and were released to the domestic market at official domestic prices. It should be noted here that the export and import prices based on the domestic official prices entirely disregarded the international prices because of the absence of any direct relationship between the yen and foreign currencies. Thus, the yen-dollar ratio before the establishment of a single exchange rate varied for each commodity. Accordingly, the Yen Foreign Trade Account maintained by the Japanese Government was entirely unrelated to the SCAP dollar account. This situation was quite similar to the post-war foreign trade system in effect in western Germany.

During 1947 and 1948 the sphere in which private traders could directly participate was steadily expanded, especially in the field of exports, until it culminated in the direct buyer-supplier contract system permitted after August 15, 1948. Under this system the buyers and suppliers were permitted to conclude direct contracts between themselves, subject only to the floor prices stipulated by the government. (However, with respect to certain commodities, a so-called incentive system was adopted as a measure for promoting their exports, whereby the suppliers received corresponding yen compensation for selling goods above the floor price). In addition to exports by the buyer-supplier system, exports by the government were continued, but the latter's percentage steadily declined as time passed.

On the other hand, the situation was quite different in the case of imports. In the post-war period some 60% to 70% (sometimes 80%) of the total imports of Japan have consisted of aid imports from the United States, all of which have been completely controlled by the government.

It was not until April 1949 (after the arrival in Japan of U.S. Army Secretary Royall and Minister Dodge) that a formal single exchange rate of Y360 to the U.S. dollar was established, whereby Japanese economy was directly linked to the world economy in respect to price for the first time since the surrender. The establishment of this single exchange rate dealt a blow to the export of certain high-cost goods (such as machinery and sundries) by directly linking to the world economy the Japanese economy which had lost a normal price structure as the result of soaring inflation. On the other hand, the stabilization of the Japanese economy brought about by the implementation of the Dodge economic program caused a shortage of working funds and the shrinkage of the market, thereby causing a slump in the domestic industries. Added to this, the economic recession in the United States during the first half of 1949 brought about a general decline in world prices and the adoption of stricter import control by various countries, thereby further impeding exports. The resulting shortage of dollar exchange on the part of the sterling countries led to the devaluation of the pound sterling, which gave rise to speculative anticipation of the eventual devaluation of the yen also. All these served to slacken Japanese exports and to increase the accumulation of stocks in Japan. Such a combination of adverse factors took place between the summer and autumn of 1949.

In order to promote and expand Japanese foreign trade, especially exports, SCAP constantly strove to effect improvements in the various phases of trade. The new concept of trade and exchange control adopted toward the end of 1949 aimed to do away with the official red tape which was the subject of numerous criticisms and to greatly expand foreign trade. This concept owes much to Ormond Freile, William J. Logan and Dr. Jan Mladek, who were instrumental in the adoption of the new foreign trade procedure.

II. The new foreign trade formula for 1950 and onward

The new foreign trade procedure marks an epoch in the post-war trade procedure of Japan. Its essential features consist of permitting free imports as much as possible on the one hand and maintaining tight foreign exchange control on the other hand.

Import and export control has not been completely removed, despite the wide degree of relaxation of control. For example, it is still necessary to check, as is also done in other countries, (1) the export of goods indispensable to the economic rehabilitation of Japan, (2) the export of potential war supplies to undesirable areas and (3) the import of luxuries. Similarly, it is necessary to tighten exchange control, especially so in Japan in view of her extremely unfavorable balance of trade and her present status of dependence on an enormous amount of dollar aids for national subsistence.

Nevertheless, the new foreign trade formula is especially significant as a forward step toward free trade, away from the government controlled post-war foreign trade system.

The new procedure is based on the following four fundamental concepts:

1. Trade by agreements should be fostered and expanded. 2. Export of goods as a means for acquiring foreign exchange should be restricted only to the extent that it is absolutely necessary, and the export prices of goods should be fixed by the buyers and exporters themselves. 3. A certain prescribed limit may be established, but interference with individual transactions within such prescribed limit should be avoided as much as possible. 4. With respect to procedure, the government should withdraw wholly from this field and entrust the necessary functions to exchange banks.

Exports:—Exports can be divided into free exports and exports requiring license.

1. **Free exports.** With respect to the export of commodities other than those specified by the government, exporters are required to present necessary documents to exchange banks and obtain the latter's certification.

2. **Exports requiring licence.** In the following three cases prior applications for licence to export must be submitted to and approved by the Minister of International Trade and Industry: a. Specified commodities, such as foodstuffs, railway rolling stock and parts, Diesel engines, iron and steel, copper, electric generating equipment and numerous other essential commodities and strategic materials. (Such specified commodities comprise 20% to 30% of the total exports). b. Exports under processing deals and barter arrangements. c. Exports for which coverage is obtained by methods other than the prescribed method.

Since the floor price system has been abolished after October 26, 1949, export prices are in all cases determined freely by negotiations between the transacting parties, subject to the requirement that the prices shall not be unfairly low. In the event of receipt of complaints from abroad that the prices are unfairly low, the Minister of International Trade and Industry will review the relative contracts and take necessary steps to correct the situation.

Imports:—Imports can be divided into government imports (principally aid imports) and private imports.

1. **Government imports.** Aid imports, which comprise 60% to 70% of the total imports of Japan, are handled by the Japanese Government as heretofore, the funds covering such imports being controlled by the United States. However, efforts are being made to transfer such imports to private import channels as much as possible.

2. **Private imports.** All imports other than government imports are handled by private importers. The annual amount of funds available for private imports in 1950 is estimated at present to be $500 million to $600 million. The employment of such import funds is administered in the following manner:

a. Foreign exchange budget. A plan is drawn up for the acquisition and use of foreign exchange funds. The plan for the use of foreign exchange funds prescribes the limits within which the foreign exchange funds may be used for the following two categories: (1). Import of goods with which the government desires to interfere to a certain extent. (2). Free import of goods by private importers. In addition to the allocation of funds for these two categories, a contingent reserve fund is provided for the additional import of goods as the occasion demands. The import plan is drawn up in detail, but not published.

b. Public announcements of items relating to imports: In public announcements the government announces the names of commodities that may be approved for import within a certain specified period, their sources, and the maximum of each commodity importable by any single importer during the period. The goods to be imported are divided into the above-stated two categories. With respect to the import of goods with which the government desires to interfere, prior allocation of foreign exchange from the government is required. With respect to the free import of goods, however, importers may submit to exchange banks applications for license to import within the scope of the items contained in the public announcements, and obtain from the foreign exchange banks validation thereof on a "first come, first served" basis. Importers who have received prior allocation of foreign exchange are also required to obtain the validation of the foreign exchange banks.

The number of imports for which prior allocation of foreign exchange is necessary is not large, but such imports comprise 70% to 80% of the total private imports. The principal commodities included in this category are raw cotton, wool, iron ore, pig iron, anthracite coal, phosphate rock, crude oil and refined oil products.

Imports on a "first come, first served" basis comprise all free imports other than the imports for which prior allocation of foreign exchange is necessary. They are listed as independent items in the public announcements. In monetary value they comprise 20% to 30% of the total private imports. With respect to these items, importers apply direct to the exchange banks for import licenses and receive such licenses according to the order in which the applications were submitted and in so far as the foreign exchange budget permits. In case the amount of applications exceed the budget, priority within the same order is determined by drawings.

Among the imports for which import licenses are granted on a "first come, first served" basis, "Miscellaneous Imports" deserve special attention. If an item called "Miscellaneous Imports" is included in the public announcement, import license for goods not listed as separate items in the public announcements may be applied for. It should be noted, however, that even "Miscellaneous Imports" are subject to the following requirements: (1). They must be operating supplies and maintenance materials required for export production or essential domestic production, or goods the import of which is considered as necessary for the enforcement of trade agreements, and not listed as independent items in the foreign exchange budget. (2). They must no be specified items, such as, for example, automobiles, cosmetics, tobacco, perfumes, confectionery, fruit juices, alcoholic beverages, and canned vegetables and fruits.

c. Imports requiring licence:—With respect to imports exceeding the announced import limits, imports from countries or areas other than those announced, and imports, such as barter imports, for which payments are to be made by methods other than the prescribed method, applications for import license must be submitted to the Minister of International Trade and Industry before submitting applications for import validation to exchange banks.

Japan's Trade Arrangements

Contracting Country	Term	Trade Value*	Major Export Items	Major Import Items
Sterling Area	July 1, '49- June 30, '50	£71.5 (fob) £71.5 (cif)	Textiles, machinery, canned goods, metals, lumber, electrical equipment, chemicals, etc.	Cereals, cotton, wool, iron ore, rubber, salt, hides, tannin.
Thailand	July 1, '48- June 30, '49	$ 30 (fob) $ 30 (cif)	Rolling-stock, machinery, building materials, textiles, rubber goods, aluminiumware, etc.	Rice, salt, coconut oil, copra, teak, tin ingot.
Netherlands	Oct. 1, '48- Sept. 30, '49	$ 0.5 (fob) $ 0.6 (cif)	Machinery, textiles.	Chemicals, pharmaceuticals.
Indonesia	,, ,,	$ 63 (fob) $ 23 (cif)	Textiles, machinery & parts, cement, pottery & porcelain, glassware, enamelled ironware.	Rubber.
Sweden	Jan. 1, '49- Dec. 31, '49	$ 5.3 (fob) $ 5.3 (cif)	Cotton yarn & fabrics, woollen yarn, pottery & porcelain, textiles, camphor, etc.	Kraft & rayon pulp, pig iron, iron ore, finished steel, chemicals.
Korea	Apr. 1, '49- Mar. 31, '50	$ 48 (cif) $ 29 (fob)	Machinery, metal products, cotton yarn & fabrics, raw silk, rolling stock & parts etc.	Rice, scrap iron, graphite, anthracite coal, laver, kaolin.
France & Indochina	Mar. 1, '49- Feb. 28, '50	$ 13 (fob) $ 12 (cif)	Looms, raw silk, green tea, *habutae*, chemicals, cotton goods, paper.	Pig iron, anthracite coal, feedstuff, salt, asphalt, antimony, olive oil.
Uruguay	June 1, '49- May 31, '50	$ 5 (cif) $ 5 (cif)	Textiles, pottery & porcelain, pharmaceuticals, chemicals, marine products, farm implements, etc.	Wool, hides, linseed oil, casein, etc.
Finland	July 1, '49- June 30, '50	$ 2.5 (cif) $ 2.5 (cif)	Textiles, fish net, ships, pharmaceuticals, whale oil, sundry goods.	Rayon pulp, kraft paper, turpentine oil.
West Germany	Aug. 1, '49- July 30, '50	$ 12.5 (fob) $ 12.5 (cif)	Textiles, farm products, textile machines, non-ferrous metals, chemicals, etc.	Machinery & parts, chemicals, clay, semi-finished iron & steel, etc.
Argentina	June 23, '49- June 22, '50	$ 16 " $ 26 "	Pig iron, steel materials, wires, chemicals, cement, etc.	Wheat, barley, wool, cotton, tannin.
Hongkong	—	Total Value $ 70	Chemicals, canned goods, bamboo, paper, rubber goods.	Foodstuffs, fats & oils, machinery, metals.
Okinawa	July 1, '49- June 30, '50	Not settled	Cereals, salt, farm implements, fertilizer, fishing boats & nets, etc.	Apatite, shells, corals, etc.
Burma	Jan. 1, '49- Dec. 31, '49	$ 23 (cif) $ 23 (fob)	Textiles, metals, machinery, rubber goods, etc.	Rice, ores, metals, feedstuff, etc.
Pakistan	July 1, '49- June 30, '50	Total Value $ 24	Cotton goods, looms, bicycles, chemicals, etc	Cotton, jute, wool, hides, etc.
Belgium	June 1, '49- May 31, '50	No trade plan	Textiles, rubber goods, machinery, etc.	Pig iron, dyes, resin, etc.
Mexico	Apr. 12, '49 (date of signing)	Contracting parties shall purchase each other's exportable goods in case prices, quality, delivery and financial arrangements are equal or more favourable than with third countries.		
Brazil	June 8, '49- May 21, '50	No trade plan.		
Chile	May 6, '49 (date of signing)	Contracting parties shall purchase each other's exportable goods in case prices, quality, delivery and financial arrangements are equal or more favourable than with third countries.		

Notes: *The upper figures denote exports, and the lower ones, imports. Unit in million dollars or sterling pounds.
Trade arrangements similar to those with Brazil and Chile are reported to have been signed with Peru, Colombia and Venezuela. Formal trade talks will soon be opened with the Philippines.

THE JAPANESE IRON AND STEEL INDUSTRY

I. The basic structure of the Japanese iron and steel industry

The birth of the Japanese iron and steel industry as a modern industry dates back to the establishment of the Yawata Iron Works at Yawata, Fukuoka Prefecture, in 1901, that is, some 30 years after Japan's transformation from a feudal state to a modern state. Its establishment was designed to meet the increased demand for iron and steel following the Sino-Japanese War (1894-95). That the demand for iron and steel increases each time there is war has been the universal experience of all countries. In Japan also the iron and steel industry rapidly developed in consequence of the Russo-Japanese War, First World War, the Manchurian Incident and other wars of recent years.

The increase in Japan's demand for iron and steel may be judged from the demand for steel products. During a short period of 30 years the demand for steel products rapidly increased to 4.15 times in 1912, 10.62 times in 1926 and 20.12 times in 1936, as compared with the demand at the time of the establishment of the Yawata Iron Works. A notable feature of this increase in demand was the high percentage of government and public demand for use in railways, waterworks, construction works and armaments.

In order to meet such rapidly increasing consumption of iron and steel, the Japanese iron and steel industry, with the Yawata Iron Works as the principal producer, expanded the production of iron and steel. For instance, the output of steel products increased to 36.62 times in 1912, 209 times in 1926 and 758 times in 1936, as compared with the output in 1901. The highest output reached 7,820,000 tons in 1943. On the other hand, the output of pig iron increased to only 4.18 times, 14.21 times, and 35.23 times, respectively, in these corresponding years. The highest output was only 4,119,000 tons, which was registered in 1924.

Thus, the production of pig iron in Japan did not keep pace with the increased production of steel products. Whereas the usual process in the manufacture of steel products is to pass them through the three stages of pig iron, steel ingot and steel products, the above stated failure of pig iron production to keep pace with the production of finished steel was due to the peculiar features of the Japanese iron and steel industry.

The case of iron ore:—The ratio of the domestic output of iron ore to its domestic consumption in 1937 was only 25% in Japan, as compared with 195% in France, 100% in the Soviet Union and 98% in the United States. There exist, however, rich iron ore resources in the Far East, with 168 million tons in North China, 119 million tons in Central China, 4 million tons in South China, or a total of more than 322 million tons in continental China, besides 430 million tons on Hainan Island. Malaya has 70 million tons, and India and the Philippines also have large ore deposits. The iron ore of Hainan Island, which is most favourably located, contains 63% or more pure iron.

As to coal, various types of foreign coal are imported and mixed with domestic coal, because the latter contains considerable amounts of sulphur and ash. Especially the Kailan coal of North China, with estimated deposits of 700 million tons, is indispensable to the manufacture of coke used for steel manufacturing in Japan.

Thus, in view of the existence of rich resources in the neighbouring countries, the natural conditions were favourable for the parallel development of pig iron manufacturing and steel manufacturing in Japan despite her poor domestic resources. And yet pig iron manufacturing in Japan fell far behind steel manufacturing, owing chiefly to inadequate capital accumulation and partly to the importation of cheap scrap and pig iron. In consequence, the development of a large enterprise producing both pig iron and steel by integrated operation was impossible unless it was operated as a semi-governmental enterprise like the Yawata Iron Works. Under such circumstances, almost all private iron and steel companies limited their operations to either open hearth rolling or simple rolling only.

II. The present condition of the Japanese iron and steel industry

During the heyday of wartime production the Japanese iron and steel industry had a total pig iron manufacturing capacity of 5,500,000 tons and an open hearth steel manufacturing capacity of 6,180,000 tons, but owing to the very great damage sustained in the last war pig iron production declined to 467,000 tons in 1945, 152,000 tons in 1946, 294,000 tons in 1947 and 850,000 tons in 1948. Though these figures represented a sharp reduction from the pre-war high of close to 5 million tons, they stood good comparison with the production figures for other industrial products. The index numbers of production (average for 1930-34=100) in May 1949 were above 99 for pig iron, slightly above 86 for coal, 19 for raw silk, 24 for cotton yarn and 101 for soda ash. By comparison with these figures, the recovery in pig iron production was far above the average for other industrial production. The subsequent production has continued satisfactory. Whereas the original production program for the 1949 fiscal year called for 1,700,000 tons of pig iron and 1,800,000 tons of finished steel, the production up to the end of December (first 9 months) has been satisfactory and the original goal is expected to be exceeded by the end of the fiscal year (March 1950).

Various factors account for this remarkable recovery of production. The first factor was the adoption at the end of 1946 of an inclined production system for iron and steel and other basic commodities in the face of world-wide shortage of iron and steel, which made dependence on imports impossible. From the 1947 fiscal year a formal plan was drafted for the production of 700,000 tons of ordinary steel products, but the actual production in that year amounted to only 577,000 tons, thus

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d. Imports requiring no purchase connection with the foreign exchange budget, there is no need to obtain the validation of exchange banks. However, the import license of the Minister of International Trade and Industry is required.

e. Guaranty money system:—As a safeguard against a rush of applications for import licenses under the "first come, first served" system of import validation and also against the failure of importers to effect importation after receipt of import validation, importers are required to deposit a specified percentage of the import value as guaranty money at the time of submitting the applications for import licenses. The percentages required are published for each item of goods, the highest being 10% so far.

* * *

The Japanese economy is on the road toward gradual recovery, and its foreign trade is in a similar condition. With the loss of the American market for raw silk by the advent of synthetic fibres and the loss of wide neighboring markets in East Asia from which Japan formerly obtained most of her raw materials and to which she sold most of her manufactures, Japan's foreign trade has received a serious setback. Added to this, the unstable political situation in the various Asiatic areas, especially in China, and the shortage of dollar funds on the part of the sterling areas have further impeded the recovery of Japan's foreign trade. The question of markets is a serious matter to a country like Japan which is dependent on foreign trade for national subsistence. Again, the loss of her merchant marine in consequence of the last war has not only seriously affected her invisible balance of payments, but also imposed unfavorable trade terms on Japanese traders by necessitating sales on an f.o.b. basis on the one hand and purchases on a c.i.f. basis on the other hand. Another disadvantage to Japanese traders is the absence of up-to-date information on foreign markets, with the result that they are obliged to resort to blind trading.

Numerous measures remain to be carried out in order to bring Japanese foreign trade to an efficient basis. Be that as it may, controls and official red tape in the foreign trade procedure which undoubtedly had constituted some of the unfavorable factors up to recently, have been greatly eased since the beginning of the present year. Such a relaxation of control and improvement in trade procedure are expected to go very far in promoting the future foreign trade of Japan.

falling short of the planned production because many optimistic factors had been included in the plan. In 1948, however, the production of steel products reached 1,229,000 tons, as compared with the planned production figure of 1,200,000 tons.

Another factor is the gradual liberalization of the reparations terms from the original strict Pauley Plan to the more lenient Johnston Report and the McCoy Statement, which, as the international situation changed, served to stimulate the business incentive of Japanese iron and steel manufacturers.

A third factor is a streamlined supply of raw materials and capital. Thus, with the resumption of the importation of heavy oil in March 1947, the importation of iron ore from China and the first importation of high coking coal from China and Canada in the same year as a turning point, raw materials were imported thereafter in a smooth manner and thereby helped to increase production.

On the other hand, considerable amounts of capital required for the rehabilitation of overworked and war-damaged equipment have been financed by loans from the Reconversion Finance Bank and other sources. Moreover, large amounts of government subsidies have been paid on iron and steel. The practice of paying subsidies, which was in effect before the termination of the war, has been continued even after the war as compensations for keeping down the consumers' prices at low figures as measures to avoid the serious effect on the general price level of the rise of the prices of such basic commodities as iron and steel. Such subsidies on iron and steel have amounted to substantial figures.

Changes in the iron and steel manufacturing capacity of Japan may be seen from the expansion in blast furnace capacity, which increased from 2,460,000 tons in 1937 to 2.28 times this figure in 1945. Whereas in 1937 there were only a few large blast furnaces, namely, one each of 1,000-ton capacity, 750-ton capacity, 730-ton capacity and 500-ton capacity, the sizes of blast furnaces gradually increased thereafter. In the later constructions, those of over 600-ton capacity greatly outnumbered the others.

Production of steel by the open hearth furnace process also doubled from 3,905,000 tons in 1937 to 6,639,000 tons in 1942 and further increased to 7,145,000 tons in 1946. Whereas the average capacity of the open hearth furnaces was 38.8 tons in 1937, it was gradually increased to 49.3 tons at present.

Likewise, the steel rolling capacity increased from 6,177,000 tons in 1937 to 8,930,000 tons in 1942 and 8,959,000 tons in 1946.

However, the operating rate of blast furnaces was only about 8.7% in March 1947 and 23.7% in June 1949, while that of open hearth furnaces was 17.3% and 31.5% on these respective dates.

In contrast to the large government demand for iron and steel in the pre-war period, 38% of the post-war demand has consisted of the requirements of the Occupation Forces, the removal of reparation facilities, the National Railways and government and public demand (including exports).

According to the program for the 1949 fiscal year, 630,000 tons, or 32% of the total planned production of 1,940,000 tons for the year, were intended for exports, of which 330,000 tons represented basic material for export goods. Export contracts for finished steel for the first half year amounted to 139,000 tons (of which over 48,000 tons comprised galvanized sheets).

III. Outlook of the industry

Production program for the coming fiscal year:—As to the prospects for the new fiscal year, first of all a drastic removal of distribution control over iron and steel products will be effected (at the present time most of the secondary products are not subject to control). Again, from the standpoint of balancing the government budget the present price subsidies are scheduled to be abolished in part in July 1950 and wholly in March 1951. Government import of raw materials may be abolished, to be replaced by free private import. Thus, sooner or later the Japanese iron and steel industry will be exposed to free competition, which is unprecedented in the history of this industry.

The Japanese Government's production program for the 1950 fiscal year is to call for the production of 1,930,000 tons of blast furnace pig iron and 2,500,000 tons of ordinary rolled steel. It is expected that, with the exception of pig iron, which will continue to be subject to raw materials allocation, these products will be removed from control. In order to carry out the foregoing production program 2,011,000 tons of iron ore and 706,000 tons of high coking coal must be imported as raw materials.

The 1,000-ton blast furnace of the Hirohata Plant of the North Japan Iron & Steel Co., Ltd. (to be shortly established as a separate company by consolidating the Wanishi, Kamaishi, Fuji and Hirohata plants of the present Japan Iron & Steel Co., Ltd.) is scheduled to resume operation from March 28, 1950. Likewise, the Kurioka No. 2 blast furnace (700-ton capacity) of the Yawata Iron & Steel Co., Ltd. (to be shortly established as a separate company by taking over the Yawata Iron Works of the present Japan Iron & Steel Co., Ltd.) is expected to resume operation. When the steel rolling facilities of the above Hirohata Plant (plate manufacturing capacity of 450,000 tons per year) and of the Tobata Plant (260,000 tons of sheet steel per year) of the Yawata Iron & Steel Co., Ltd. commence operations, they will greatly help to fill the demand for steel plates and sheets.

The planned production of 2,500,000 tons of steel products includes 430,000 tons intended for exports as finished steel.

A serious question which arises when 2,500,000 tons of steel is produced is whether there is a domestic demand for a little over 2,000,000 tons, after allowing 430,000 tons for export. The domestic demand for iron and steel in the 1950 fiscal year is estimated at some 1,600,000 tons. However, in view of the further strict balancing of the budget thereafter, a too optimistic view cannot be entertained as to the possibility of consuming this much of iron and steel in the domestic market.

Cost of production in the Japanese iron and steel industry:—The number of units of materials required in pigiron manufacturing, which units form the basis for calculating the official prices of finished steel in Japan, have improved year after year in the post-war period, such that the industry has at last reached the stage of operating on a paying basis. Despite this improvement in the number of units of raw materials required for iron and steel production, the Japanese iron and steel industry is now unfavourably affected by extremely high cost of raw materials. Whereas American iron and steel manufacturers are using coal costing $7 or $8 per ton ready for use in blast furnaces, Japanese manufacturers are using coal costing c.i.f. $23 per ton. Likewise, Japanese manufacturers are using iron ore costing about $14 per ton as compared with about $10 paid by American manufacturers. Since under such circumstances Japanese manufacturers cannot avoid high cost of production, subsidies in the forms of import subsidy on imported raw materials, subsidy on pig iron and subsidy on finished steel have been paid on iron and steel products in Japan. With such wide discrepancies between the domestic and foreign prices of iron and steel, there is the danger of Japanese iron and steel products being overwhelmed by foreign products if the situation continues as it is. As a matter of fact, there is an instance of the import of pig iron from western Europe at the c.i.f. price of $55 per ton, and it is reported that lower price offers have been lately received from India.

Serious consideration, therefore, is now being made with a view to lowering the production cost in the Japanese iron and steel industry. In order to achieve this, it is first of all necessary to obtain cheap raw materials by some means or other. Since it is impossible to lower the production cost of pig iron if the supply of coal is dependent upon coal imported from the United States, Japan should depend on North China coal costing c.i.f. $11.34 per ton, whereby the production cost of pig iron can be lowered by about $6 per ton. As to iron ore, its import price has steadily declined and is now much lower than it was previously (the highest was $21 per ton for Utah iron ore).

Secondly, rationalization of operation is necessary, but not much reduction in cost can be expected from rationalization in view of the small accumulation of capital in Japan at the present time. Nevertheless, efforts are being made to reduce cost by experimentation with the acid process of steel manufacture, concentration of production in high-efficiency plants, the revived use of the Thomas converter and

Foreign Trade Position of Malaya

Malaya's foreign trade during 11 months of 1949 resulted in a deficit more than three times the trade deficit experienced in total 1948. The imbalance was attributed in part to an increase in the value of imports, but particularly to a decline in the value of exports. Deficits characterized Malaya's 1949 foreign trade since March, when the trend of rising imports and falling exports began to set in. Monthly deficits reached a peak in June, tapering off markedly in July as a consequence of a sharp reduction in imports and a decided strengthening of Malaya's export position, coinciding with an upturn in rubber prices.

The deficit characteristics of Malaya's postwar trade, compared with favourable trade balances before the war, result from a greater expansion of import than export values, a condition of particular concern in view of a somewhat greater increase in the postwar volume of exports than imports. The disparity between import volume and value has been particularly serious with respect to grain and flour products, which represent the largest single item in Malaya's import trade, accounting for approximately 19 percent of total imports in 1948 and 27 percent in the first half of 1949. Although considerable progress is being made in expanding rice production, Malaya remains a rice-deficit area, depending chiefly upon Burma, Thailand, and Indochina for its import supplies. Postwar shortfalls in availabilities from these surplus areas have necessitated increased purchases of wheat and wheat flour, which are currently being obtained from soft-currency sources, indicating a cessation of such purchases from the United States, which amounted to approximately US$ 5,648,000 in 1947 and US$529,000 in 1948.

In exports, the value-volume disparity, reflecting the differential between changes in value and volume compared with prewar, is very small in rubber, much greater in tin, and outstanding in copra and coconut oil. It is significant that, although postwar values in these principal commodities exceed prewar values, postwar production exceeds prewar levels only in rubber, which has, since the war, set production records. Because of a decline in smallholder output during 1949, total rubber production for that year was below that of 1948, although the local price increase following devaluation served to stimulate production late in the year. In any event, rubber production in 1949 exceeded the prewar record of approximately 600,000 long tons in 1941. The figure for only 11 months of 1949 reached approximately 606,440 long tons.

The increase in the value of imports in total 1940 over 1948 (December 1949 imports estimated) is attributed chiefly to increased imports from Thailand, the United Kingdom, and Japan, in the order of magnitude of the margin of increase. The expansion of imports from Thailand was featured by a sharp increase in shipments of tin. Compared with imports of 2,290 long tons of tin ore from Thailand in 1948, Malayan statistics for 11 months of 1949 show imports of 5,610 long tons. Increased imports from the United Kingdom for rehabilitation and to make up for the tightened restriction of purchases from the dollar area are a natural sequence of Malaya's status in the sterling area, particularly in the British Empire. Expansion of trade with Japan is already evident, resulting from the trade-expansion program instituted by the special trade agreements concluded between SCAP and the sterling area.

Changes in Malaya's foreign trade during 1949 are highlighted by developments in trade with the United States, with respect to both imports and exports. Imports from the United States during 1949 will be roughly US$45,000,000 below the 1948 level, resulting principally from the prohibition since mid-1948 of further purchases of United States textiles and United States automotive vehicles exceeding 20 hp. Consequently, United States exports to Malaya are reverting to their prewar position in Malaya's import trade. Compared with only 3 percent of the area's total imports before the war, imports from the United States rose markedly during the postwar period to approximately 10 percent of the total in 1947 and close to 12 percent in 1948, exceeded only by the United Kingdom and Indonesia. In 11 months of 1949 this proportion declined to approximately 6 percent. The expansion of United States exports to Malaya since the war was based chiefly on the increased trade in textiles, which before the war was only a very small part of United States exports to that area. Thus the sharp drop in total exports to Malaya in 1949 was the result chiefly of a diminution in exports of textiles.

Malaya's Foreign Trade [1]
(In thousands of Malayan dollars) [2]

Period	Imports	Exports	Balance
Average, 1937–39	615,714	734,306	+ 118,592
1947	1,367,453	1,294,878	— 72,575
1948	1,785,758	1,724,162	— 61,596
1948 (July-Dec.)	880,671	918,136	+ 37,465
1949 (Jan.-June)	936,626	790,181	— 146,445
1949 (by months):			
January ..	129,187	152,791	+ 23,604
February .	137,124	155,815	+ 18,691
March	177,919	129,688	— 48,231
April	163,213	124,969	— 38,244
May	167,542	116,842	— 50,700
June	161,639	109,991	— 51,648
July	132,949	125,475	— 7,474
August ...	147,354	138,796	— 8,558
September	141,608	128,197	— 13,411
October ..	156,028	147,160	— 8,806
November	162,631	151,465	— 11,166

Although Malaya's total trade position evinces deficit characteristics, trade with the United States continues to follow the traditional pattern of sizable dollar balances in favour of Malaya as a result of extensive United States imports of rubber and tin. The dollar balance for 1949, however, was substantially below that of 1948, principally as a result of a marked decline in United States imports of rubber from that area. The balance for 10 months of 1949 amounted to US$130,547,000, or an annual rate of US$156,656,000, compared with the 1948 total of US$187,696,000. In view of Malaya's position in the British Empire and the sterling area, its dollar balances accrue to the dollar pool of the sterling area, representing the largest net dollar contribution to the latter's hard-currency reserve. Although the actual net-dollar earnings of Malaya are somewhat less than the difference between United States imports and exports in trade with Malaya (United States imports include goods obtained through triangular transactions in "cheap sterling" and imports of Malayan rubber out of United Kingdom stocks against ECA counterpart funds), Malaya remains by far the principal contributor to the sterling-area dollar reserves.

1 Excludes parcel post, coin, and bullion.
2 Before devaluation, the postwar dollar equaled approximately US$0.47. The post-devaluation equivalent is approximately US$0.32. The prewar average equivalent for 1937-39 was approximately US$0.52.

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the improvement of workers' efficiency. In order to further reduce the cost, it may be necessary to reduce the manufacturing cost of steel ingot by the iron and steel integrated operation and to import cheap scrap for steel manufacture by the open hearth proces.

In any case, the biggest problem of the industry in the 1950 fiscal year, in which year iron and steel subsidies and controls are expected to be almost wholly abolished, is how to reduce the cost of production. The solution of this problem requires further efforts, and the year 1950 may be said to be the key year in which the future success or failure of the industry will be determined.

Reports from the Philippines

The first postwar large-scale agricultural development project entered upon by the Philippine Government in conjunction with private capital was formalized in an Operating and Development Agreement signed January 6 by the National Abaca and Other Fibers Corporation and a naturalized Philippine citizen. Under terms of the agreement the private interests may rent at $1 per hectare 7,500 hectares (18,525 acres) of land in Davao, which they must clear and develop as an abaca plantation. Fiber produced becomes the property of NAFCO, which in turn must pay the private company for 92 percent of all production. The arrangement is widely approved as a positive step toward rehabilitation of the abaca industry.

With action on price control delayed until the regular session of Congress, prices of imported foodstuffs have recently shown moderate increases, while prices of coffee, cigarettes, and liquors have risen drastically. It is expected that the Philippine Relief and Trade Rehabilitation Administration (PRATRA) will request necessary police powers to enforce price control.

For the native, whose cost of living is not materially affected by the price of imported foods, cost-of-living indexes indicate a moderate decline. For the average Manila wage earner with a family (4.9 members), the cost-of-living index stood at 339.6 in November; 329.6 in December; and 331.5 as of January 7, 1950—based on 1941 as 100. The rise in January was caused by a sharp increase in prices of clothing and miscellaneous items, particularly the latter group which includes such imported products as matches, cigarettes, and medicines.

Rice supplies during the past months were ample. Much of the 1949-50 crop has been gathered, and harvesting of other varieties is started or nearing completion. Imports of milled rice in 1949 amounted to 145,557 metric tons, valued at 51,700,000 pesos, in contrast to 120,110 tons imported in 1948. The National Rice and Corn Corporation, with 61,026 tons of imported rice on hand on December 1, 1949, is expected to continue its monopoly of rice imports in 1950.

Exports of copra during 1949 were the lowest in postwar years, totaling 556,613 long tons, compared with 625,630 in 1948 and 968,430 in 1947. Recent copra prices have shown a slight advance. Shipments in 1949 of other coconut products increased materially, exports of coconut oil amounting to 64,147 tons, against 41,774 in 1948, and desiccated coconut shipments totaling 56,067 tons, an increase of 2,664 tons over the preceding year.

As of January 1, 1950, 18 of the 28 sugar centrals were in full operation, having milled approximately 101,797 short tons of the 1949-50 crop. In mid-December one of the largest mills in the country, the Talisay-Silay Milling Co. on Negros Island, was completely reconstructed and commenced operations. Preliminary estimates of the 1949-50 tobacco crop indicate a good harvest in the Cagayan Valley, ranking tobacco region, with a possible production of 24,000 metric tons. This would be 9 percent higher than the previous tobacco crop.

Philippine foreign trade in 1949 totaled approximately 1,598,000,000 pesos. Imports were estimated at 1,079,000,000 pesos compared with 1,136,410,000 pesos in 1948, and exports at 519,000,000 pesos, against 638,400,000 pesos in the preceding year. The decline from 1948 in imports amounted to only about 5 percent, notwithstanding a full year of import controls in 1949, while the drop in exports amounted to 18 percent, chiefly because of lower prices for copra.

The first free-market sale of gold was made on January 16 when 6,500 ounces, or nearly one-third of the combined monthly output of all mines, were sold by the major producers on a pro-rata basis through the Chamber of Mines of the Philippines. This step followed the issuance on January 10 by the Central Bank of its circular 21 amending restrictions on sales of gold by permitting gold-mining companies to sell 75 percent of their monthly production on the local market, provided that at least 25 percent is sold to the bank. Prices obtained on January 16 were 108.20 pesos per ounce for refined gold and 106.45 pesos for bullion, which remunerations were far higher than the pre-control prices of approximately 86 pesos.

Indonesia's Foreign Trade in 1949

Imports into Indonesia during December 1949 totalled 485,200 metric tons valued at 133,357,000 guilders (US$35,096,000),[1] as compared with November imports of 175,818 metric tons valued at 111,753,000 guilders (US$29,409,000). The volume increase of December over November imports was mainly accounted for by large petroleum imports, the December tonnage amounting to 391,482 tons (88,917 tons during November). Imports of other merchandise increased by only 6,817 tons, from 86,901 tons to 93,718 tons. By value, textiles (piece goods, yarns, sarongs, gunny bags) represented 17.4 percent of total December imports (23,192,000 guilders); petroleum products, 16.7 percent (22,314,000 guilders); machinery, engines, and the like, 11.3 percent (15,075,000 guilders); rice, 3.5 percent (4,674,000 guilders); flour, 2.2 percent (2,907,000 guilders); other foodstuffs, tobacco, and beverages, 3.4 percent (4,513,000 guilders); pharmaceuticals and dyes, 1.9 percent (2,554,000 guilders); and roofing material and structural steel, 1.2 percent (1,647,000 guilders).

Total recorded imports during 1949 amounted to 2,850,675 metric tons valued at 1,427,636,000 guilders, an increase of 48.1 percent by volume and 25.9 percent by value over 1948 imports of 1,924,110 tons valued at 1,134,300,000 guilders.

Imports in December 1949

Item	Weight (metric tons)	Value (000 guilders)
Total	485,200	133,357
Petroleum products	391,482	22,314
Textiles	4,123	23,192
Rice	8,456	4,674
Flour	6,312	2,907
Other foodstuffs, beverages, and tobacco	3,632	4,513
Machinery, engines, and aparatus	3,897	15,075
Pharmaceuticals and dyes	207	2,554
Roofing material and structural steel	1,818	1,647
Other	65,273	56,481

Indonesian exports during December amounted to 713,193 metric tons valued at 169,247,000 guilders (US$44,539,000). Rubber exports accounted for 23.6 percent by value of the total; petroleum products, 20.3 percent; tobacco, 13.8 percent; copra, 9.2 percent; palm oil, 7.7 percent; tin, 6.2 percent; tea, 5.6 percent; and various other products, 13.6 percent.

The cumulative total for exports during the year amounted to 7,637,297 metric tons valued at 1,449,341, 7,637,297 metric tons valued at 1,449,341,000 guilders, an increase of 47,3 percent by volume and 39.3 percent by value over 1948 exports of 5,185,315 tons valued at 1,040,388,000 guilders. Petroleum products ranked first among exports during 1949, with 28.2 percent of the total, followed by rubber 24.0 percent; tin, 11.7 percent; copra, 10.7 percent; palm oil, 6.2 percent; tea, 3.7 percent; and tobacco, 3.3 percent.

Exports in December and Year 1949

Item	Dec., 1949 Weight (metric tons)	Dec., 1949 Value (000 guilders)	1949 Weight (metric tons)	1949 Value (000 guilders)
Total	713,193	169,247	7,637,297	1,449,341
Rubber	47,309	40,011	406,861	347,824
Petroleum products	535,060	34,344	5,689,607	409,440
Tobacco	1,996	23,434	6,627	47,210
Copra	28,125	15,603	316,016	155,661
Palm oil	15,140	12,981	101,861	89,813
Tin ore & Metal	1,944	10,493	31,110	169,116
Tea	3,813	9,491	24,036	53,091
Kapok	1,346	2,204	8,235	13,585
Sugar	5,140	1,790	41,601	16,422
Cinchona bark	473	1,223	2,598	6,733
Rattan	1,779	913	21,048	10,156
Coffee	226	472	5,031	8,585
Pepper	30	164	2,808	9,653
Hides and skins	104	492	1,853	6,895
Other	70,708	15,632	978,005	105,157

[1] Conversion rate: 1 guilder=US$0.263158. The statistical data contained in this article refer to the Federal territories as known prior to December 27, 1949, and, therefore, do not include data for the Republican areas. These are not known.